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1966 TAX PROPOSALS OF THE PRESIDENT

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HEARINGS

BEFORE THE

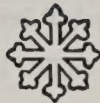
COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

JANUARY 19, 27, AND FEBRUARY 1, 1966

Printed for the use of the Committee on Ways and Means



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1966 TAX PROPOSALS OF THE PRESIDENT

WEDNESDAY, JANUARY 19, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Today the committee initiates public hearings on the President's tax message contained in the state of the Union address.

Without objection, in order that the record may be complete, we will include a copy of the press release announcing the hearing and a copy of the committee print which gives the details of the administration's proposal as transmitted by the Secretary of the Treasury.

Is there objection? If not, they will be so included.

(The documents referred to follow :)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
January 13, 1966.

CHAIRMAN WILBUR D. MILLS, DEMOCRAT, OF ARKANSAS, COMMITTEE ON WAYS AND MEANS, ANNOUNCES PUBLIC HEARINGS ON THE PRESIDENT'S TAX PROPOSALS

Subject: Hearings on President's tax proposals.

Chairman Wilbur D. Mills, Democrat, of Arkansas, Committee on Ways and Means, announced today that the committee will hold public hearings on the President's tax proposals which he announced in his state of the Union message last night.

WITNESSES

The first witness will be the Honorable Henry H. Fowler, the Secretary of the Treasury, who will be heard on Wednesday, January 19, 1966. Beginning on Thursday, January 27, the committee will receive testimony from interested public witnesses.

At the conclusion of the hearings, Secretary Fowler, along with other Government witnesses, will appear for the purpose of relating the tax proposals to the overall budget which will be submitted to the Congress January 24.

The chairman urged that all interested persons and organizations with the same general interest coordinate their testimony and designate one spokesman to represent them.

As is usual in the case of public hearings, any interested person or organization will be permitted to file a germane written statement for inclusion in the printed record of the hearings in lieu of a personal appearance.

SUMMARY OF THE PRESIDENT'S TAX PROPOSALS

1. *Excise taxes*

The President has proposed that the automobile and certain telephone excise tax reductions, which became effective January 1, 1966, be restored.

Automobile excise tax.—In the case of the automobile excise taxes, this would mean that the present 6-percent tax would be restored to 7 percent, effective the day after enactment. A floor stock tax of 1 percent would be imposed on automobiles in dealer's inventories on the day after enactment.

Telephone excise tax.—The excise tax on local and long-distance telephone calls and teletypewriter service, which is presently 3 percent, would be restored to the rate applicable before January 1, 1966—namely, 10 percent—effective the first day of the first month which begins more than 15 days after date of enactment.

Duration of temporary restoration of the automobile and telephone excise taxes.—The restored rates for the automobile and telephone taxes will be for a period of 2 years—to January 1, 1968—at which time the presently scheduled reductions will again start coming into effect. The rates are indicated in the following table:

Comparison of present and proposed excise tax rate schedules for automobiles and telephone service

[In percent]

	Automobile excise tax rate		Telephone service excise tax rate	
	Present schedule	Proposed schedule	Present schedule	Proposed schedule
Early 1966 ¹ to Dec. 31, 1966	6	7	3	10
Calendar year 1967	4	7	2	10
Calendar year 1968	2	6	1	3
Calendar year 1969	1	4	0	2
Calendar year 1970	1	2	0	1
Calendar year 1971	1	1	0	0
Thereafter	1	1	0	0

¹ Precise date depends on time of passage of proposed legislation.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, January 1966.

2. Graduated withholding of income tax rates

At the present time, there is a flat withholding rate of 14 percent. Under the President's proposal, these rates would be graduated up to 30 percent in six steps as indicated in the following tables. The primary intent of this graduation in withholding rates is to reduce under-withholding, although for income levels below \$10,000 it also decreases over-withholding. These new rates will reflect the minimum standard deduction of up to \$300. The application of the new rates are reflected in the following tables:

PROPOSED GRADUATED WITHHOLDING RATES

TABLE A.—Single

If the amount of wages and salaries (in excess of \$700 times the number of personal exemptions) is—	The amount of income tax to be withheld is—
Not over \$200	None.
Over \$200 but not over \$700	14 percent of wages and salaries in excess of \$200.
Over \$700 but not over \$1,200	\$70 plus 15 percent of wages and salaries in excess of \$700.
Over \$1,200 but not over \$4,400	\$145 plus 17 percent of wages and salaries in excess of \$1,200.
Over \$4,400 but not over \$8,800	\$689 plus 20 percent of wages and salaries in excess of \$4,400.
Over \$8,800 but not over \$11,000	\$1,569 plus 25 percent of wages and salaries in excess of \$8,800.
Over \$11,000	\$2,119 plus 30 percent of wages and salaries in excess of \$11,000.

TABLE B.—*Married*

If the amount of wages and salaries (in excess of \$700 times the number of personal exemptions) is—	The amount of income tax to be withheld is—
Not over \$200.....	None.
Over \$200 but not over \$1,200.....	14 percent of wages and salaries in excess of \$200.
Over \$1,200 but not over \$4,400.....	\$140 plus 15 percent of wages and salaries in excess of \$1,200.
Over \$4,400 but not over \$8,800.....	\$620 plus 17 percent of wages and salaries in excess of \$4,400.
Over \$8,800 but not over \$17,700.....	\$1,368 plus 20 percent of wages and salaries in excess of \$8,800.
Over \$17,700 but not over \$22,000.....	\$3,148 plus 25 percent of wages and salaries in excess of \$17,700.
Over \$22,000.....	\$4,223 plus 30 percent of wages and salaries in excess of \$22,000.

3. *Speedup of collection of corporate taxes*

Under present law, the speedup in corporate tax payments for those corporations on a calendar year basis, is indicated in the following table. In the case of fiscal year corporations, the payments are due at corresponding quarterly intervals, depending upon the fiscal year of the corporation. It will be recalled that the speedup in tax payments by corporations applies only to those corporations who have a tax liability of \$100,000 or more.

Under present law, the speedup in corporate tax payments is as follows:

Calendar year	Current taxable year			Following year		
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	9	9	25	25	16	16
1967.....	14	14	25	25	11	11
1968.....	19	19	25	25	6	6
1969.....	22	22	25	25	3	3
1970.....	25	25	25	25		
1971 and subsequent years.....	25	25	25	25		

Under the President's proposal, the speedup in corporate tax payments would be as follows:

Calendar year	Current taxable year			Following year		
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	12	12	25	25	13	13
1967.....	25	25	25	25		
1968.....	25	25	25	25		

It will be recalled that under present law, as would be true in the schedule under the President's proposal, until a corporation reaches a current payment basis, any shortage in corporate tax payments at the end of the year are made up by the corporation paying one-half of the balance in March and the other half of the balance in June.

Effective date.—The proposed speedup in corporate tax payments would start in 1966 and for a corporation with a calendar year this would mean that the speedup would begin on April 15, 1966.

4. *Quarterly payments of social security taxes by the self-employed*

At the present time, self-employed persons may pay their social security taxes in one lump sum after the end of the taxable year (although they presently may pay them quarterly with their estimated tax payments). Under the President's proposal, self-employed persons would be required to make these payments on a quarterly basis. This proposal would have no effect on the administrative budget, since social security taxes are paid into the social security trust fund.

5. Details as to proposals

A more detailed explanation of the President's tax proposals will be available in the committee staff office tomorrow, January 14.

6. Revenue effects of the President's tax proposals

Estimated revenue effects of President's tax proposals (assuming Mar. 15, 1966, enactment)

[In millions of dollars]

	Receipts, fiscal year 1966	Increase, fiscal year 1967
(1) Excises:		
Local and long-distance telephone, and teletypewriter service (if effective Apr. 1, 1966).....		\$790
Automobiles (if effective Mar. 15, 1966).....	\$60	420
(2) Corporate income tax payment speedup (if effective Apr. 15, 1966).....	1,000	3,200
(3) Graduated withholding system for individual income taxes (if effective May 1, 1966).....	95	400
Total (administrative budget effect).....	1,155	4,810
(4) Self-employment tax, social security, quarterly payment ¹ (if effective June 15, 1966).....	100	100

¹ Estimate, refers to effect upon cash budget receipts. These taxes are paid into the social security trust fund.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, January 1966.

CUTOFF DATE FOR REQUESTS TO BE HEARD: JANUARY 24

Requests to be heard with regard to this hearing should be submitted no later than the close of business Monday, January 24.

The requests should be addressed to Leo H. Irwin, chief counsel, Committee on Ways and Means, 1102 Longworth House Office Building, Washington, D.C. 20515. Those persons scheduled to appear in person will be notified as soon as possible after the cutoff date—January 24, 1966.

CONTENTS OF REQUESTS TO BE HEARD

In order to eliminate repetitious testimony and to properly schedule witnesses and allocate time, it will be necessary for the requests to be heard to specify—

- (1) The name, address, and capacity in which the witness will appear;
- (2) The list of persons the witness represents or, in the case of an association or other organization, their total membership and where possible a membership list of the association or organization;
- (3) The amount of time the witness desires in which to present his direct oral testimony;
- (4) An indication of whether or not the witness is supporting or opposing the President's tax proposal or proposals on which he intends to testify; and
- (5) A summary of the comments and recommendations which the witness proposes to make.

WRITTEN STATEMENTS

Number of copies.—In the case of those persons who are scheduled to appear and testify, it is requested that 60 copies of their written statements be submitted at least 24 hours in advance of their scheduled appearance.

In the case of those persons who are submitting written statements in lieu of a personal appearance, at least three copies of such written statement should be submitted no later than the close of business January 31. Persons submitting written statements in lieu of a personal appearance may also, if they desire, submit an additional 60 copies of their statements for distribution to the committee members and the interested departmental and legislative staffs pending the printing of the public hearings, which will include such statements along with the oral testimony of those persons who appear in person.

In the case of both those persons who are scheduled to appear in person and of those who submit written statements in lieu of a personal appearance, if it is desired, an additional 60 copies of the written statements should be submitted for distribution to the press and the interested public. These additional 60 copies for the press and interested public can be delivered to the committee office, room 1102, Longworth House Office Building, on the day of the witnesses' appearance, in the case of those who are scheduled to appear. In the case of those submitting statements in lieu of a personal appearance, these additional copies should be received no later than the close of business January 31.

Format of all written statements.—To more usefully serve their purpose, all written statements should begin with a summary of comments and recommendations and the detailed statements which follow should contain subject headings conforming to the summary of comments and recommendations.

TAX RECOMMENDATIONS OF THE
PRESIDENT

TOGETHER WITH

SUMMARY, ESTIMATED REVENUE EFFECT, AND
TECHNICAL EXPLANATION

SUBMITTED BY THE

DEPARTMENT OF THE TREASURY

TO THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES



JANUARY 13, 1966

NOTE.—This material has not been considered or reviewed by either the Committee or its staffs and is being printed for informational purposes only.

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TAX RECOMMENDATIONS OF THE PRESIDENT

TAX PROGRAM—SUMMARY

The President's tax program involves four parts:

1. *Excise taxes*

A proposal to restore to 7 percent the present 6 percent manufacturers' excise tax on new passenger automobiles. (This tax was reduced from 10 percent to 7 percent last year and was reduced again from 7 percent to 6 percent on January 1, 1966.)

A proposal to restore the 10 percent excise tax on local and long-distance telephone service. (This rate dropped from 10 percent to 3 percent as of January 1, 1966.)

2. *Corporation income tax payments speedup*

A proposal to require larger corporations (those with annual tax liabilities of \$100,000 or more) to pay income taxes on a current basis (in the year it is earned) by 1967, instead of by 1970, as provided in the 1964 Revenue Act. The proposal would not increase corporation income tax rates or final tax liabilities.

3. *Gradual withholding for individuals*

A proposal to replace the present 14 percent flat withholding rate with a graduated withholding system for individual income tax payers. This would result in more taxes being withheld from some taxpayers; less from others—primarily to reduce under-withholding and, to some extent, to reduce over-withholding of income taxes on wages and salaries.

4. *Quarterly social security tax payments for self-employed persons*

A proposal to require self-employed persons to estimate their social security tax in advance and pay it in current quarterly installments with their income tax. Self-employed persons now pay this tax in an annual lump sum after the end of the taxable year.

Estimated revenue effects of President's tax proposals (assuming Mar. 15, 1966, enactment)

[In millions of dollars]

	Receipts, fiscal year 1966	Increase, fiscal year 1967
1. Excises:		
Local and long-distance telephone, and teletypewriter service (if effective Apr. 1, 1966).....		\$790
Automobiles (if effective Mar. 15, 1966).....	\$60	420
2. Corporate income tax payment speedup (if effective Apr. 15, 1966).....	1,000	3,200
3. Graduated withholding system for individual income taxes (if effective May 1, 1966).....	95	400
Total (administrative budget effect).....	1,155	4,810
4. Self-employment tax, social security, quarterly payment ¹ (if effective June 15, 1966).....	100	100

¹ Estimate refers to effect upon cash budget receipts.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, January 1966.

EXCISE TAXES

PROPOSAL

The Treasury proposal involves suspending the reduction in two excise taxes which took place January 1—involving new passenger automobiles and telephone service—and delaying the further reductions of these two taxes scheduled for future years. (The schedule of reductions would be reinstated on January 1, 1968.) The proposal would not affect other taxes eliminated by the Excise Tax Reduction Act of 1965.

Automobiles

The excise tax on new passenger cars, which was reduced from 7 percent to 6 percent on January 1, would go back up to 7 percent on the day after the effective date of the legislation. The 7 percent rate was in effect from May 15 through December 31, 1965. The program would have the effect of canceling out the 1 percentage point reduction scheduled for this year, but it would not restore to 10 percent the excise tax rate on passenger cars which was in effect before last May 15.

In addition, a 1 percent floor stock tax would be imposed on new cars which dealers have on hand when the 7 percent rate becomes effective. This would make the 7 percent tax rate fully effective on all new cars delivered to customers after the date of enactment.

The proposal postpones the remaining reductions of the automobile tax scheduled under the 1965 act by 2 years. The 7 percent tax would remain in effect until January 1, 1968. It would then fall again to 6 percent. On January 1, 1969, it would be reduced to 4 percent; to 2 percent on January 1, 1970; and to 1 percent on January 1, 1971, where it would remain.

Telephone service

The tax on local and long-distance telephone service, which was reduced from 10 percent to 3 percent as of January 1, 1966,¹ would be restored to 10 percent on April 1, assuming enactment by March 15, 1966. The 10 percent rate would also be restored on teletypewriter service. This proposal would not affect the other former taxes on communications services such as—private communications systems, telegraph service, and wire and equipment service—which were repealed by the 1965 act.

The schedule for future reductions in the telephone tax would also be postponed 2 years. The rate would drop again to 3 percent on January 1, 1968; to 2 percent on January 1, 1969; and to 1 percent on January 1, 1970. As of January 1, 1971, it would be eliminated.

The automobile and telephone taxes lend themselves to adjustment because—

- (1) They involve substantial amounts of revenue.
- (2) Both these taxes are still in effect.
- (3) The impact of the readjustment would be dispersed over a broad segment of the public because of the widespread ownership of automobiles and use of telephones.
- (4) These excises involve relatively minor administrative and compliance problems for the industries involved. Any adjustments would not require reestablishing tax accounting procedures.

¹ Applies to bills sent to customers on or after this date.

RECENT BACKGROUND

The automobile and telephone excise taxes originated in World War II as revenue-raising and anti-inflationary fiscal devices. They remained in force through the Korean conflict and for more than a decade afterward, although the rates were readjusted.

Under President Johnson's Excise Tax Reduction Act of 1965, a schedule was established for reducing the tax on automobiles to 1 percent and eliminating the tax on phone service. Following that schedule, the automobile tax dropped from 10 percent to 7 percent last May 15 and from 7 percent to 6 percent on January 1. The telephone tax fell from 10 percent to 3 percent on January 1.

According to the 1965 schedule, the automobile tax was to have been reduced to 1 percent on January 1, 1969. The telephone tax was to have been eliminated on the same date. Under the new program, the schedule for reduction would simply be postponed 2 years in each case.

REVENUE EFFECT

Restoration of the previous automobile tax rate would provide an additional \$60 million in revenue during fiscal year 1966.

There would be no budget effect from the telephone tax rate restoration during fiscal year 1966, since the normal allowable time lag on collecting and actually paying the tax would delay the effect of the higher rate until after June 30.

Excise tax revenues would increase by \$1,210 million in fiscal year 1967. Of that total, \$420 million would be from the automobile excise tax and \$790 million from the telephone tax. The increase would be due both to the full year of applicability and to the suspension of the further reductions scheduled for January 1, 1967.

Comparison of present and proposed excise tax rate schedules for automobiles and telephone service

[In percent]

	Automobile excise tax rate		Telephone service excise tax rate	
	Present schedule	Proposed schedule	Present schedule	Proposed schedule
Early 1966 ¹ to Dec. 31, 1966.....	6	7	3	10
Calendar year 1967.....	4	7	2	10
Calendar year 1968.....	2	6	1	3
Calendar year 1969.....	1	4	0	2
Calendar year 1970.....	1	2	0	1
Calendar year 1971.....	1	1	0	0
Thereafter.....	1	1	0	0

¹ Precise date depends on time of passage of proposed legislation.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, January 1966.

SPEEDUP IN CORPORATE INCOME TAX PAYMENTS

To put larger corporations on a more current payments basis, the proposal would speed up the accelerated corporation tax payments plan adopted by Congress in the 1964 Revenue Act.

About 16,000 corporations—with tax liabilities in excess of \$100,000 each—would be affected.

These corporations would be put on a basis of paying income taxes in the year such income is earned, by 1967, instead of by 1970.

The proposal does not call for an increase in the corporate income tax rate, nor would it change "tolerance rules" now in the tax code which prevent penalties for underestimation if certain requirements are met.

PRESENT LAW

Under present law, and assuming that a corporation with a fiscal year ending December 31 estimated taxes (in excess of \$100,000) at the full amount, the corporation paid 4 percent of estimated tax liabilities in April, and another 4 percent in June 1965.

These were followed by two payments of 25 percent in September and December 1965.

For this corporation, what would come next is two cleanup payments of 1965 taxes of 21 percent each in March and June 1966, to round the total out to 100 percent.

Also under present law, the corporation, in the example above, would have its estimated payments step up to 9 percent of calendar 1966 income in April and again in June 1966; to 14 percent each in April and June 1967 on estimated 1967 income; to 19 percent each in April and June 1968 on 1968 income; to 22 percent each in April and June 1969 on 1969 calendar year income; and to 25 percent each in April and June 1970 on 1970 income.

As these April and June payments step up, the cleanup payments in the first half of the following year would decline.

The September and December installments on estimated current year tax liabilities (in excess of \$100,000) would remain at 25 percent throughout.

THE SPEEDUP PLAN

Starting in 1966 (that would be April 15, 1966, for a corporation with a fiscal year ending December 31), larger corporations would pay 12 percent (not 9 percent) of current year tax liabilities in excess of \$100,000 in April and again in June this year.

Still assuming that the corporation estimates 100 percent of its tax liabilities in excess of \$100,000, the April and June payments would be 25 percent each in 1967.

Thus, in 1967, the corporation in the example would pay 25 percent of its estimated tax in April, 25 percent in June, 25 percent in September, and 25 percent in December.

The proposal would not alter present "tolerance rules." Under these rules, there is no penalty for underpayment of the tax if the estimated tax payments are based upon—

- (1) 70 percent of the actual tax in excess of \$100,000;
- (2) Last year's tax, in excess of \$100,000;
- (3) The tax (in excess of \$100,000) at current rates on last year's income; or
- (4) 70 percent of the tax for the current year (in excess of \$100,000) computed on the basis of an annualization of the year's income to date.

REVENUE EFFECT

The speedup of the corporate income tax payments, assuming it takes effect by April 15, 1966, would increase collections by about \$1 billion in fiscal 1966, and by \$3.2 billion in fiscal 1967.

Tables.—The following tables compare present and proposed corporation income tax payment schedules, expressed as a percent of calendar year tax liability, and assuming that a corporation estimates 100 percent of income. Table 1 gives the present law; table 2, the proposed speedup:

TABLE 1.—*Payment schedule under present law*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	9	9	25	25	16	16
1967.....	14	14	25	25	11	11
1968.....	19	19	25	25	6	6
1969.....	22	22	25	25	3	3
1970.....	25	25	25	25		
1971 and subsequent years....	25	25	25	25		

¹ Tax in excess of \$100,000 and assuming 100 percent estimation.

TABLE 2.—*Payment schedule under proposed law*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	12	12	25	25	13	13
1967.....	25	25	25	25		
1968.....	25	25	25	25		

¹ Tax in excess of \$100,000 and assuming 100 percent estimation.

GRADUATED INCOME TAX WITHHOLDING FOR INDIVIDUALS

To reduce the problems created by the present 14 percent flat-rate withholding system for individual taxpayers in virtually all income groups, a new system of six graduated income tax withholding rates is proposed, beginning on May 1, 1966.

The new system would relieve many taxpayers of the problem of having to pay large, and often unanticipated, lump-sum amounts on their income taxes. It also would reduce over-withholding for many low-income taxpayers.

The new system would make withholding far more exact. Under the graduated withholding system, 29 million wage and salary earners will have their withholding come within \$10 of their actual tax liability. This compares to 12 million taxpayers under the present system.

The proposal would use six rates to withhold taxes from wages and salaries that are more closely related to the actual amount of tax liability—assuming that the taxpayer claims deductions of about 10 percent of his income.

In addition, the proposed system would reflect the minimum standard deduction (claimed primarily by lower income taxpayers) where it exceeds the 10-percent standard deduction. Here is how this would work:

(1) No withholding would be required on the first \$200 of wages (less exemptions) to reflect the basic \$200 minimum standard deduction granted each taxpayer; and

(2) For withholding schedules, the value of each exemption would be increased to reflect the \$100 additional minimum standard deduction allowed for each exemption.

The graduated withholding rate schedule below (table A) illustrates how this would apply to a single person. A head of household would use the schedule applicable to single persons. A separate rate schedule (table B) would apply to married persons.

TABLE A.—*Single*

If the amount of wages and salaries (in excess of \$700 times the number of personal exemptions) is—	The amount of income tax to be withheld is—
Not over \$200.....	0.
Over \$200 but not over \$700.....	14% of wages and salaries in excess of \$200.
Over \$700 but not over \$1,200.....	\$70 plus 15% of wages and salaries in excess of \$700.
Over \$1,200 but not over \$4,400.....	\$145 plus 17% of wages and salaries in excess of \$1,200.
Over \$4,400 but not over \$8,800.....	\$689 plus 20% of wages and salaries in excess of \$4,400.
Over \$8,800 but not over \$11,000.....	\$1,569 plus 25% of wages and salaries in excess of \$8,800.
Over \$11,000.....	\$2,119 plus 30% of wages and salaries in excess of \$11,000.

TABLE B.—*Married*

If the amount of wages and salaries (in excess of \$700 times the number of personal exemptions) is—	The amount of income tax to be withheld is—
Not over \$200.....	0.
Over \$200 but not over \$1,200.....	14% of wages and salaries in excess of \$200.
Over \$1,200 but not over \$4,400.....	\$140 plus 15% of wages and salaries in excess of \$1,200.
Over \$4,400 but not over \$8,800.....	\$620 plus 17% of wages and salaries in excess of \$4,400.
Over \$8,800 but not over \$17,700.....	\$1,368 plus 20% of wages and salaries in excess of \$8,800.
Over \$17,700 but not over \$22,000.....	\$3,148 plus 25% of wages and salaries in excess of \$17,700.
Over \$22,000.....	\$4,223 plus 30% of wages and salaries in excess of \$22,000.

RECENT BACKGROUND

Under present law, wages and salaries are subject to withholding at a flat 14-percent rate, which is equivalent to the average of the present first four tax bracket rates (14, 15, 16, and 17 percent) adjusted for the 10-percent standard deduction. However, annual tax liability for the individual taxpayer very often is computed after accounting for itemized deductions or a minimum standard deduction in excess of the 10 percent standard deduction.

About 63.1 million individual taxpayers are affected by income tax withholding (but do not make quarterly declaration payments).

Approximately \$36.5 billion is collected from these 63.1 million taxpayers—with \$2.4 billion representing under-withholding, and \$6 billion of this total representing over-withholding.

REVENUE EFFECT

If Congress approves the new system in time for it to take effect by May 1, 1966, it would increase budget receipts from withholding by \$95 million in fiscal 1966 and by about \$400 million in fiscal 1967.

EFFECT ON WITHHOLDING, UNDER-WITHHOLDING, AND
OVER-WITHHOLDING

1. *Total withholding.*—The proposal would increase the amount of withholding by \$1,240 million, assuming a full-year effect.

SELF-EMPLOYMENT TAX

The program includes a proposal to bring the payment of social security taxes by self-employed persons to an approximately current basis (in effect, "pay as you go").

Persons who are employed by others have their social security tax payments deducted from their wages or salaries on a current basis, along with their Federal income taxes. Self-employed persons pay their Federal income taxes on a current basis by means of the declaration and quarterly payment of their estimated tax. But they pay their social security tax in one lump sum on April 15 each year.

The proposal is that self-employed persons should include their social security tax in the estimated tax declaration and pay it in quarterly installments along with their income tax payments. This would have two major advantages:

(1) It would put self-employed persons on a more current footing and a more equal footing with other taxpayers, who are required to be current in their social security tax payments through payroll deductions.

(2) It would eliminate the burden of a large annual lump-sum for self-employed persons. Many self-employed taxpayers have been finding it increasingly difficult to meet their social security tax liability when it comes due in a lump sum. With the increases in the level of social security taxes and benefits in recent years, the self-employment tax has come to involve a substantial sum. This year, the maximum tax will be \$405.90, the amount which must be paid by anyone with earnings of \$6,600 or more subject to the self-employment tax. Such an amount is often a real burden when added to a substantial income tax payment. It may be even more burdensome to self-employed persons whose taxable income is not large enough to require an income tax payment, but who are nevertheless liable for the lump-sum social security tax payment on April 15.

Under the proposal, self-employed persons would shift their social security tax payments to a current quarterly schedule. They would become nearly current in 1966 by adding to the declaration of estimated income tax an estimate of three-fourths of the social security tax they would owe for this year, and paying that amount in three installments. These would be due on June 15 and September 15 of 1966 and January 15, 1967. They would become fully current in

1967 by estimating the entire self-employment tax and paying it in four quarterly installments with their quarterly income tax payments.

No estimate or quarterly payment would be required if the combined estimated income tax and self-employment tax totalled \$40 or less. Farmers and fishermen, who are not required to make quarterly payments of estimated income tax, would pay their social security tax in the same way they pay their income tax under present law.

This proposal would result in an increase of \$100 million annually in social security tax collections for both fiscal year 1966 and 1967. It would require about one million additional taxpayers to file declarations.

JANUARY 13, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means, Room 1102, Longworth Office
Building, Washington, D.C.*

DEAR MR. CHAIRMAN: The President has asked me to present the details of the tax program recommended in his State of the Union Message on which the earliest possible action would be desirable.

The President indicated that increases in expenditures in the fiscal years 1966 and 1967 for continuing operations in Southeast Asia would be necessary. These increased defense costs come at a time when we are reaping the benefits of prior tax reductions in the form of higher levels of income and lower unemployment. During the calendar year 1966, unemployment should fall appreciably below what has been our interim target of 4 percent.

The present economic and financial situation calls for avoiding additional stimulus to demand. Therefore, the President recommends that: (a) We reschedule the reductions in the automobile and telephone excises; and (b) modify tax collection procedures, without increasing income tax rates or changing anyone's final income tax liability, so that the time for tax payments would be more closely linked with the income and profits on which the tax liabilities are based.

With regard to excise taxes, I want to make clear that our program merely calls for a temporary rephasing of a portion of the 1965 reductions. That legislation substantially eliminated the selective excise taxes which are neither sumptuary taxes nor user charges. We are not recommending the restoration of any of the excise taxes that were eliminated in 1965. In the 1965 reduction, the Congress did recognize, however, that there were two large excise taxes which did not involve appreciable collection problems. In view of the revenue involved in these two large excise taxes, on automobiles and telephone service, these were scheduled for gradual reduction to fit the then fiscal situation. It is appropriate at the present time to reschedule these gradual reductions to fit the schedule to current economic conditions. Essentially, we recommend that each step in the present schedule, commencing with the January 1, 1966, reduction, be shifted forward 2 years.

With regard to the collection procedures, the achievement of more current payment of income and social security taxes is an appropriate improvement of our tax system as well as a desirable fiscal action. The bulk of our citizens pay income tax and the employee social security tax on a completely current basis through wage withholding. It is equally desirable to achieve more current payment of corporate taxes, income taxes of individuals above the first few brackets, and self-employment taxes.

The fact that much of the liability for individual income taxes beyond the lower bracket rates, for corporate taxes, and for self-employment taxes, is paid after the close of the year presents problems for the taxpayer as well as the tax collector. Current payment helps both consumers and businesses to plan current expenditures in the light of their actual tax liabilities.

For this reason, the Treasury Department has given serious consideration to the matter of graduated withholding of income taxes on wages and salaries. This is a desirable structural change on its own; and to the extent its adoption may restrain private spending during the period of transition, its economic effect is appropriate.

The Congress recognized the desirability of current tax payment for corporations in the Revenue Act of 1964, but was concerned with how to spread the additional payment that is associated with moving to a current tax basis. At that time, the decision was made to spread out the additional payment over the period 1964 through 1970. The fiscal impact of moving more quickly to current payment would fit particularly well into the economic situation in 1966 and 1967. At a time when we are faced with the necessity for additional defense expenditures, any restraint that this faster move to current payment would impose on corporations will be appropriate.

The budget effects of these proposals are shown in the following table. The table assumes Congressional enactment by March 15, 1966, to permit estimates for provisions in which the effective date is important to the revenue estimate.

Estimated revenue effects of President's tax proposals, assuming enactment by Mar. 15, 1966

[Millions of dollars]

	Receipts increase	
	Fiscal year 1966	Fiscal year 1967
1. Excises:		
Local and long distance telephone (and teletypewriter) service, if effective Apr. 1, 1966.....		\$790
Automobiles, if effective Mar. 15, 1966.....	\$60	420
2. Corporate income tax payment speedup, if effective Apr. 15, 1966.....	1,000	3,200
3. Graduated withholding system for individual income taxes, if effective May 1, 1966.....	95	400
Total (administrative budget effect).....	1,155	4,810
4. Self-employment tax (social security) quarterly payment, if effective June 15, 1966*.....	100	100

* Estimate refers to effect upon cash budget receipts.

I. GRADUATED WITHHOLDING

The President's tax program would provide a graduated withholding system on wages and salaries.

Under present law, a flat 14 percent of an employee's earnings are withheld for income tax purposes. Since an employee's income tax liability is computed under a series of graduated rates, the amount withheld from his wages under the present system may have little relation to the income tax due on his wages. Consequently, many taxpayers are faced with large, and frequently unanticipated, unpaid

tax liabilities at the end of the year. The burden of these year-end payments to taxpayers, as well as the collection problems imposed on the Internal Revenue Service, warrants a system of withholding from wages on a graduated basis that will more effectively synchronize withholding with actual tax liability.

Moreover, although the present withholding system takes into account the 10-percent standard deduction, it does not reflect the minimum standard deduction added by the Revenue Act of 1964. This fact results in overwithholding for many low-income employees who utilize the minimum standard deduction because it exceeds the 10-percent standard deduction. Additional overwithholding occurs under the present system for employees in the first two income tax brackets resulting from the use of a flat withholding rate which is an average of the rates for the first four income tax brackets, adjusted for the 10-percent standard deduction.

The graduated withholding system in the President's program is designed to minimize these problems.

(1) First, in place of the present flat 14-percent withholding rate, the proposed system would provide for withholding at six graduated rates. This would closely relate the amount of withheld tax with the actual tax due for married couples and single people with wage income up to \$15,000, whose deductions are approximately 10 percent of income or who take the minimum standard deduction. For people above this income level with deductions of approximately 10 percent of income, withheld and actual taxes would be more closely related than under the present system.

(2) Second, the minimum standard deduction would be reflected in the new withholding system through an increase in the value of the personal exemptions for withholding purposes and a zero withholding rate on \$200 of wages on an annual basis. This change would appreciably reduce overwithholding for those employees who use the minimum standard deduction. The use of the minimum standard deduction in combination with graduated rates would also eliminate the overwithholding that presently exists in the first two income tax brackets.

A majority of the States which utilize withholding from wages in connection with their State income tax already employ a system of graduated withholding. Accordingly, employers should be able to adapt readily to a graduated system of withholding for Federal purposes.

This proposal would reduce the amount of underwithholding by a net of \$1.2 billion and the number of returns with underwithholding of over \$10 would be reduced by 3.8 million. Moreover, overwithholding among employees with an adjusted gross income under \$5,000 (the class particularly affected by the minimum standard deduction) would be reduced by \$500 million net and the number overwithheld by over \$10 by 12.6 million.

Institution of the new graduated withholding system would increase the annual amount of withholding by a net of \$1.2 billion.

Under the recommendation, the new graduated withholding system would apply to wages paid on and after May 1, 1966. Assuming this effective date, the effect of this proposal would be to increase revenue collections by \$95 million in the fiscal year 1966 and by \$400 million in the fiscal year 1967.

II. ACCELERATION OF PAYMENT OF ESTIMATED TAX BY CORPORATIONS

The President has recommended that corporations be required to make a faster transition to the current payment system already adopted by Congress. Under the President's program, the current payment system would become fully operative in 1967 rather than in 1970.

In the 1964 Revenue Act, the Congress adopted a plan advancing the schedule of corporate tax payments to place large corporate taxpayers on a more current payment basis. The 1964 plan provided for a gradual shift in the corporate tax payment timetable over the 7-year period 1964-70. This timetable was designed so as not to weaken or impair the favorable impact of the 1964 tax reduction program in furthering economic growth and employment.

In view of the changed circumstances described by the President in his State of the Union Message, a faster transition to the current payment system is desirable. The President's program would call for payments of estimated tax of 12 percent each in April and June of 1966 (instead of 9 percent) and 25 percent each in April and June of 1967 (instead of 14 percent).

The acceleration of the original 7-year transition period will substantially improve the budgetary situation in the critical period immediately ahead. By gearing tax payments to accruals of tax, to the current earnings position of the particular company, and to the general economic situation, the purposes of the current payment system will be more quickly achieved. The proposal will provide additional cash revenues from the corporate sector without reversing the reduction in the general corporate rate from 52 to 48 percent enacted in 1964.

The effect of this proposal would be to increase revenue collections by \$1 billion in the fiscal year 1966 and by \$3.2 billion in the fiscal year 1967.

III. ESTIMATED PAYMENTS OF SOCIAL SECURITY TAXES BY THE SELF-EMPLOYED

To round out the President's program respecting a more current tax payment system, it is proposed that the payment of social security taxes of the self-employed be placed on an estimated basis.

Under present law, a self-employed individual is generally required to estimate and make quarterly installment payments of his income taxes. It is recommended that the social security taxes (self-employment tax) of such individuals be paid on the same basis.

Many self-employed taxpayers now find it increasingly difficult to pay the social security taxes in one lump sum with their income tax returns on April 15. For 1966, the maximum social security tax for a self-employed individual is \$405.90. This maximum applies to persons who have \$6,600 or more of income from self-employment. Further increases are scheduled from 1967 through 1987 when the maximum tax will reach \$514.80.

The proposal would not only eliminate the problem of a self-employed taxpayer having to pay a large lump sum annually on April 15 but would more nearly equate the self-employed with the wage earner whose social security taxes are collected on a current basis by withholding from his pay throughout the year.

In 1967 and future years, self-employed taxpayers would, under the proposal, simply add their estimated social security tax to their estimated income tax, which is payable in four equal installments on April 15, June 15, September 15 and the following January 15. For 1966 a taxpayer would be required to estimate only three-fourths of his social security tax and this amount would be payable in three equal installments on June 15 and September 15 of 1966 and January 15 of 1967, together with his last three estimated income tax payments. The balance of the social security tax would be payable, along with any income tax balance due, on April 15, 1967.

Under present law farmers and fishermen are not required to make quarterly payments of estimated income tax. They must, however, either file a declaration on January 15 of the year following the taxable year and pay their full estimated income tax at that time or file their final income tax return by February 15 (instead of April 15) and pay their income tax in full at that time. Under the proposal these same rules would apply to estimated social security taxes of farmers and fishermen.

The effect of this proposal would be to increase revenue collections in the fiscal year 1966 by \$100 million and by \$100 million in the fiscal year 1967.

IV. EXCISE TAXES

The President's program involves two excise taxes: The manufacturers excise tax on passenger automobiles and the tax on local and long distance telephone service, including teletypewriter service.

On January 1 of this year, the automobile tax dropped from 7 to 6 percent and the telephone tax from 10 to 3 percent, pursuant to rate reduction schedules adopted last summer. Under the President's program these schedules would be temporarily suspended. Under this program, the 7 percent tax rate for automobiles would be restored on the day after legislation to this effect is enacted, and the 10 percent rate on telephone service would be restored as of the first day of the first month beginning more than 15 days after the legislation is enacted. These rates would return to 6 and 3 percent, respectively, on January 1, 1968. Similarly, each of the further scheduled reductions in these taxes would be postponed for 2 years.

Under the program, a 1-percent floor stock tax would be applied to automobiles which dealers and distributors have on hand at the start of the day the 7 percent rate goes into effect. This floor stock tax would allow for an orderly transition to the new tax rate and is recommended for the same reasons that floor stock refunds are included with each of the scheduled reductions.

It is appropriate to apply this rescheduling to the automobile and telephone taxes for the following reasons:

1. These two taxes are presently in effect and the program merely involves a postponement of scheduled reductions, which postponement can be accomplished with limited administrative problems for the businesses involved.

2. These two taxes involve substantial amounts of revenue.

3. Because of the widespread use of the articles and services to which these taxes apply, the impact of the readjustments will be dispersed over a broad segment of the public. This is consistent with a program to meet national needs.

Assuming these excise tax changes are enacted by March 15, 1966, this proposal would increase revenue collections in fiscal year 1966 by about \$60 million. The increase for fiscal year 1966 would all be derived from the automobile tax; because of the due dates for payment of the telephone tax, the increase in this tax would not affect budgetary receipts until after June 30, 1966. For the fiscal year 1967, the increase in revenues would be \$1,210 million: \$420 million from automobiles and \$790 million from telephone service.

The President's program is developed in greater detail in the enclosed technical explanations, and the effects are illustrated in the enclosed exhibits.

Sincerely yours,

HENRY H. FOWLER.

I. GRADUATED WITHHOLDING—TECHNICAL EXPLANATION

The President's tax program would provide that the flat-rate withholding system on wages be replaced by a system of withholding on a graduated basis to synchronize more effectively withholding with ultimate tax liability.

Under present law, wages are subject to withholding at a flat 14 percent rate, which is equivalent to the average of the first four tax bracket rates (i.e., 14, 15, 16, and 17 percent), adjusted for the 10 percent standard deduction. This rate is applied to the employee's wages reduced by the value of his personal exemptions.

The present system does not reflect the fact that ultimate tax liability is based on graduated rates. Moreover, there is no provision in present law for taking into account the minimum standard deduction in those cases where it, rather than the 10 percent standard deduction, is applicable to the employee.

The graduated withholding system would utilize six withholding rates and would result in an amount of withholding on wages which is closely related to the actual amount of tax liability for married couples and single people with wage income up to \$15,000, whose deductions are approximately 10 percent of income or who take the minimum standard deduction. Above these levels, the system would, for taxpayers whose deductions approximate 10 percent of income, result in a closer relationship than at present between withholding on wages and ultimate tax liability.

Moreover, the new graduated withholding system would reflect the minimum standard deduction where it exceeds the 10 percent standard deduction. This would be accomplished as follows: (1) No withholding would be required on \$200 of wages at an annual rate, consistent with the basic \$200 minimum standard deduction granted each single person or married couple; and (2) the value of each personal exemption would be increased to \$700, to give full credit for the additional \$100 minimum standard deduction allowed for each personal exemption.

Separate tables would be provided for married employees (including a surviving spouse eligible to file a joint return) and for single employees (including heads of household), to reflect the fact that the tax brackets, and thus the withholding brackets, differ for married people filing a joint return from those applicable to single people.

The following is an illustration of the new withholding system as applied to an annual payroll period and utilizing the percentage method of computation:

SINGLE PERSON

If the amount of wages reduced by \$700 times
the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of wages in excess of \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of wages in excess of \$700.
Over \$1,200 but not over \$4,400---	\$145 plus 17% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of wages in excess of \$4,400.
Over \$8,800 but not over \$11,000--	\$1,569 plus 25% of wages in excess of \$8,800.
Over \$11,000-----	\$2,119 plus 30% of wages in excess of \$11,000.

MARRIED PERSON

If the amount of wages reduced by \$700 times
the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of wages in excess of \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800---	\$620 plus 17% of wages in excess of \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of wages in excess of \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of wages in excess of \$17,700.
Over \$22,000-----	\$4,223 plus 30% of wages in excess of \$22,000.

A new series of wage-bracket withholding tables covering the various payroll periods would be issued to reflect the new system.

Marital status

Since separate withholding tables would be used for single and married employees, employees would be required to indicate their marital status on their withholding exemption certificates and to notify their employers of a change. Employers would be permitted to rely on the information as to marital status set forth in the exemption certificate, and if no withholding certificate has been filed, to assume that the employee is single.

Supplemental payments

As under present law and regulations, an employer would be permitted to compute the amount of withholding on an irregular supplemental wage payment (such as a bonus) as though it were part of the current or preceding regular wage payment or on the basis of a flat percentage applied to the supplemental payment without allowance for personal exemptions.

Effective date

Under the recommendation, the new graduated withholding system would be effective for wages paid on and after May 1, 1966.

II. ACCELERATION OF PAYMENT OF ESTIMATED TAX BY CORPORATIONS—TECHNICAL EXPLANATION

1. GENERAL STATEMENT OF RECOMMENDATION

In his State of the Union Message, the President recommended the acceleration of corporate tax payments. It is proposed, under this program, that corporations with annual tax liabilities in excess of \$100,000 be placed on a current tax payment schedule by 1967.

Under the plan adopted in 1964 by Congress, such corporations are now in the process of shifting, over a 7-year transition period ending in 1970, from two installment partial payments of estimated tax (made on September 15 and December 15 of the year of tax liability) to a fully current payment basis similar to that required of individual taxpayers, with four equal installments of estimated tax due on April 15, June 15, September 15, and December 15.¹ It is now proposed to complete this transition by 1967.

2. DETAILED DESCRIPTION OF PROPOSED RECOMMENDATION

Under the proposal, in 1966 calendar year corporations with estimated tax liabilities in excess of \$100,000 would, by April 15, 1966, file an initial declaration and make a payment of 12 percent of their total estimated tax liability in excess of \$100,000 for the year. An additional payment of 12 percent would be required by June 15, 1966. (Under present law, these payments would be required to be only 9 percent each.) By September 15 and December 15 of 1966, payments of 25 percent of the estimated tax liability in excess of \$100,000 would be required, as under present law. The payment with respect to any underestimation and the first \$100,000 of liability would be made on March 15, 1967 (or half on March 15 and half on June 15 if installment payment of the balance is elected.) In 1967 each of the four quarterly payments would be 25 percent of the estimated tax liability of the corporation in excess of \$100,000. (Under present law the first two of these installments would be 14 percent each.) Payments of taxes by fiscal year corporations would be similarly accelerated for their taxable years beginning in 1966 and 1967.

3. BACKGROUND

Corporations now are on a partially current payment basis with respect to their tax liabilities in excess of \$100,000. Under present law a calendar year corporation with an estimated tax liability in excess of \$100,000 is required to file a declaration of estimated tax by April 15, and to make partial payments of tax at that time and on June 15, September 15, and December 15. Under present law the September 15 and December 15 payments are each 25 percent of the estimated tax liability. The payments to be made on April 15 and June 15 are each 9 percent for 1966, and they gradually increase until 1970 when they too will be a full 25 percent. Fiscal year corporations must make estimated payments by the 15th day of the 4th, 6th, 9th and 12th months of their fiscal years. Corporations with an estimated liability of \$100,000 or less need make no estimated payments, and corporations with more than \$100,000 of liability need make no estimated payments on their first \$100,000 of liability. Any tax liability which is not paid by estimate must be paid with the return on March 15 of the year following the taxable year to which the liability relates, or in two equal installments on March 15 and June 15 of such year.

The present scheduled transition to a current payment basis over the 1964-70 period is the third of a series of corporate payment

¹ Corresponding dates were provided for fiscal year corporations.

reforms. The first (the Mills plan) beginning in 1950 gradually advanced payments from four quarterly installments over the 12 months following the taxable year to two 50-percent payments in the third and sixth months following the taxable year. The second, adopted in 1954, provided a transition over the years 1955-59 to a partially current payment of half the estimated tax. In the case of a calendar year corporation, 25 percent was paid on September 15 and 25 percent on December 15 of the current year with the balance being payable in two installments the following March 15 and June 15.

The 1964 provision was a logical extension of the previous plans, and shifted the two final 25-percent payments (previously due March 15 and June 15 of the year following the year to which the liability related), to two estimated payments on April 15 and June 15 of the taxable year. The proposed recommendation hastens the full implementation of the 1964 provision.

4. EXEMPTIONS FROM ADDITIONAL CHARGES FOR UNDERPAYMENTS OF ESTIMATED TAX

The present provisions in the law exempting corporations from additional charges for failure to comply with the provisions for declarations of estimated tax would be continued. Under present law, additional charges equal to 6 percent per annum for underpayment of estimated tax by corporations are not to be imposed as to any installments if the estimated tax upon the basis of which the installments are paid falls into any of the following four categories: (1) If it amounts to 70 percent of the tax shown on the final return after subtracting \$100,000; (2) if it amounts to as much as the previous year's tax reduced by \$100,000; (3) if it is equal to what would have been last year's tax (less \$100,000) had current rates been applicable to that year's income; or (4) if it is at least equal to 70 percent of the tax (less \$100,000) due on the basis of projecting to the end of the year the income from the beginning of the year up to certain specified dates.

5. EFFECTIVE DATE

This proposal would be effective for taxable years beginning after December 31, 1965. Thus, it would not apply to any payments of estimated tax required to be made prior to April 15, 1966.

III. ESTIMATED PAYMENTS OF SOCIAL SECURITY TAXES BY THE SELF-EMPLOYED—TECHNICAL EXPLANATION

1. GENERAL STATEMENT OF RECOMMENDATION

To round out the President's recommendations respecting a more current tax payment system, it is proposed that self-employed individuals be required to include their social security tax (self-employment tax) in computing their estimated tax payments. This would provide for current payments of social security tax in the same manner as current payments of income tax are presently required from the self-employed under the estimated tax system.

The self-employment tax is the method by which self-employed individuals pay for social security coverage and is imposed if an individual has net earnings from self-employment of \$400 or more.

The maximum amount of earnings subject to the self-employment tax for 1966 and subsequent years is \$6,600. When the self-employment tax was first imposed in 1951 the maximum liability that a self-employed person could incur was \$81. Increases in the rate of tax and the maximum earnings subject to tax since that time have resulted in a maximum self-employment tax liability for the year 1966 of \$405.90. Further rate increases are scheduled for the years 1967 through 1987 when the maximum tax will be \$514.80.

Under existing law self-employment taxes are levied, assessed, and collected as part of the income tax. However, since the self-employment tax is not included in the estimated tax provisions, payment of the tax is required only upon filing of the taxpayer's final income tax return.

Generally, a taxpayer whose estimated income tax exceeds the estimated withholding of tax on wages by \$40 is required to file a declaration of estimated tax on or before April 15 of the taxable year. The amount of the estimated tax is payable in four installments on April 15, June 15, and September 15, of the taxable year, and January 15 of the succeeding year. (The foregoing dates are applicable to calendar-year taxpayers, and dates at corresponding intervals apply in the case of a fiscal-year taxpayer.) In accordance with existing regulations a taxpayer may voluntarily include his estimated self-employment tax liability in his declaration of estimated tax, but he is not required to do so. The excess of the actual tax due for the taxable year over the amount paid as estimated tax must be paid on or before the due date of the final return.

Under the proposal, taxpayers would be required to include the self-employment tax together with the income tax in computing their estimated tax. Thus, payment of self-employment taxes would be integrated with existing rules requiring current remittance of estimated income taxes. Taxpayers whose combined estimated income tax and estimated self-employment tax exceeds \$40 would be required to file a declaration and make payment of the total estimated tax in the manner presently prescribed by law for estimated income taxes.

The maximum additional amount of any installment of estimated tax over the amount required to be paid by existing law would be equal to one-fourth of the maximum annual self-employment tax, approximately \$101.48 per installment for 1966, increasing to \$128.70 in 1987.

Approximately 6 million declarations of estimated income tax are now filed annually. It is estimated that incorporation of the self-employment tax into the estimated tax system would add approximately 1 million declarations.

2. TRANSITIONAL RULES

To effect an orderly transition, special rules would be provided for 1966. No declaration reflecting estimated self-employment tax would be required before June 15, 1966. Calendar-year taxpayers would be required to estimate only three-fourths of their 1966 self-employment tax liability, which would be payable in three equal installments on June 15 and September 15, 1966, and January 15, 1967.

A corresponding rule would be applicable to fiscal-year taxpayers whose taxable year begins after January 1, 1966, and before March 1, 1966. Other fiscal-year taxpayers, whose declaration and first install-

ment of estimated tax for 1966 is not required before June 15, 1966, would include their estimated self-employment tax for the taxable year in their declaration and pay the full amount in four equal installments.

3. FARMERS AND FISHERMEN

Under present law, taxpayers whose estimated gross income from farming or fishing is at least two-thirds of their total estimated gross income from all sources for the taxable year are not required to make quarterly payments of estimated income tax. They must, however, either file a declaration on January 15 of the year following the taxable year and pay their full estimated income tax at that time or file their final income tax return by February 15 (instead of Apr. 15) and pay their income tax in full at that time. Under the proposal these same special rules would apply to estimated social security taxes of farmers and fishermen.

Thus, for 1966, farmers and fishermen would, like other taxpayers, be required to estimate 75 percent of their self-employment tax, but they would not be required to file a declaration or pay any estimated tax until January 15, 1967. Moreover, a farmer or fisherman who chooses to file a final tax return by February 15, 1967, would need to make no estimate of either income tax or self-employment tax but would have to pay his income and self-employment taxes in full on that date.

4. EXEMPTIONS FROM ADDITIONAL CHARGES FOR UNDERPAYMENTS OF ESTIMATED TAX

The present provisions in the law exempting individuals from additional charges for underpayment of estimated income tax would be applicable, under the proposal, to estimates of income and self-employment taxes on a combined basis. Under section 6654 of the Code, the addition to the tax (6 percent per annum) for underpayment of estimated tax by individuals is not imposed as to any installments if the estimated tax upon the basis of which the installments are paid falls within any of the following categories: (1) If it amounts to 70 percent (66⅔ percent for farmers and fishermen) of the tax shown on the final return less allowable credits; (2) if it amounts to the tax shown on the return of the individual for the preceding taxable year; (3) if it is equal to what would have been the previous year's tax had current rates and the current personal exemptions of the taxpayer been applicable to that year's income; (4) if it is at least equal to 70 percent (66⅔ percent for farmers and fishermen) of the tax due on the basis of projecting to the end of the year the income from the beginning of the year up to the month in which the installment is due; or (5) if it is at least equal to 90 percent of the tax for the actual taxable income from the beginning of the year up to the month in which the installment is due.

By retaining these rules additional charges for underpayments of estimated tax would be imposed only where the statutory requirements were not satisfied as to the combined liability for income and self-employment taxes under any of the designated tests. Moreover, as to 1966 calendar-year taxpayers (and fiscal-year taxpayers similarly treated), only 75 percent of their self-employment tax for 1966 would

be included in determining whether an underpayment of estimated tax had been made.

5. EFFECTIVE DATE

These recommendations would become effective as to estimated tax installments due on and after June 15, 1966, for taxable years beginning after December 31, 1965.

IV. EXCISE TAXES—TECHNICAL EXPLANATION

The President's tax program provides that the schedules for excise tax reductions on automobiles and certain telephone service, commencing with the January 1, 1966, reduction, be postponed for 2 years.

A. TELEPHONE SERVICE

On January 1 of this year, the excise tax on local and long distance telephone service (including teletypewriter service) was reduced from 10 percent to 3 percent pursuant to the rate-reduction schedule adopted by the Excise Tax Reduction Act of 1965. Elimination of this tax is scheduled through further reductions of 1 percentage point each on January 1, 1967, 1968, and 1969.

Under the President's program, the excise tax on local and long distance telephone service (including teletypewriter service) would be restored to 10 percent effective with respect to amounts paid pursuant to bills first rendered on or after the first day of the first month beginning more than 15 days after the day legislation to this effect is enacted. Since telephone companies do not bill all their customers as of the same day of the month but utilize several billing cycles commencing on different days of the month, reinstitution of the January 1 reduction as of the first of a month would result in all customers having the benefit of the prior reduced rate for the same period of time.

The tax on local and long distance telephone service (including teletypewriter service) would return to 3 percent on January 1, 1968. Similarly, each of the further scheduled reductions in this tax would be postponed for two years. Under the President's program, the revised rate reduction schedule would be as follows:

	Rate of tax, percent
Amounts paid pursuant to bills first rendered:	
On and after effective date and before Jan. 1, 1968.....	10
During 1968.....	3
During 1969.....	2
During 1970.....	1
Thereafter.....	0

NOTE.—Effective date means first day of first month beginning more than 15 days after the date the legislation is enacted.

The taxes on other communications services (including private communications systems, telegraph service, and wire and equipment service) which were repealed as of January 1, 1966, would not be affected by the President's recommendation.

B. PASSENGER AUTOMOBILES

On January 1 of this year, the excise tax on passenger automobiles¹ was reduced from 7 to 6 percent. Further reductions to a permanent

¹ Includes trailers (other than house trailers) suitable for use with passenger automobiles.

level of 1 percent are scheduled as follows: Two percentage points each on January 1, 1967 and 1968, and 1 percentage point on January 1, 1969.

Under the President's recommendation, the excise tax on passenger automobiles would be restored to 7 percent effective with respect to sales by manufacturers and importers after the date on which legislation to this effect is enacted. The tax would return to 6 percent on January 1, 1968. Moreover, each of the further scheduled reductions in this tax would be postponed for 2 years. Floor-stock refunds would apply to each reduction in conformity with the present law.

Under the President's program, the revised rate reduction schedule for the tax on passenger automobiles would be as follows:

Period:	Rate of tax percent
After date of enactment and before Jan. 1, 1968.....	7
Calendar year 1968.....	6
Calendar year 1969.....	4
Calendar year 1970.....	2
Thereafter.....	1

Floor stocks tax.—As a part of this program, a 1-percent floor-stocks tax would apply to all new automobiles held by dealers (including distributors)² as of the first moment of the day on which the 7-percent rate goes into effect. This tax, which would be paid by the dealer, would be 1 percent of the price for which he purchased the automobile, unless he is able to establish that the manufacturer's or importer's selling price was lower, in which case he would be permitted to compute the tax on such lower price.

The tax would be due on a date to be prescribed in regulations, but not earlier than 60 days after the date the legislation is enacted.

EXHIBIT I.—*Graduated withholding*

HIGHLIGHTS OF PRESENT WITHHOLDING AND PROPOSED GRADUATED WITHHOLDING ¹

A. *Present 14 percent withholding*

1. *Total withholding.*—The present system withholds \$36.5 billion from 63 million employees.² Twelve million of these employees break even between tax liability and withheld tax, defining break-even case as withholding within \$10 of tax liability.³

2. *Underwithholding.*—Under present withholding, 14 million employees, or 23 percent, are underwithheld by \$2.4 billion. Nearly \$1.4 billion, or 58 percent, of this underwithholding applies to 6 million employees with incomes of \$10,000 or more.

3. *Overwithholding.*—The present withholding system overwithholds \$6 billion from nearly 37 million employees. More than one-half of these employees have incomes under \$5,000 and are overwithheld by \$1.9 billion. Another 15 million overwithheld employees have incomes between \$5,000 and \$10,000 and are overwithheld by \$3.5 billion.

B. *Proposed graduated withholding*

1. *Total withholding.*—The institution of the proposed graduated withholding system would increase the amount of withholding by \$1.2 billion on a full-year basis. The number of break-even returns would increase from 12 million to 29 million.

¹ Includes all new automobiles held for sale as to which the dealer has not passed title or possession to a consumer.

² See Table 1.

³ "Employees" in this exhibit refer to the number of tax returns showing wages but no payments of estimated tax.

⁴ "Break evens" also include employees with no tax liability and no tax withheld.

2. *Underwithholding.*—The proposal reduces the net amount of underwithholding by \$1.2 billion (or 50 percent) and the number of employees with underwithholding would be cut by almost 4 million net. More than three-fourths of the reduction in underwithholding would take place among employees with incomes of more than \$10,000. The remaining one-fourth would take place among employees with incomes between \$5,000 and \$10,000.

3. *Overwithholding.*—The proposal would cut the amount of overwithholding among low-income employees (under \$5,000) by \$500 million (or 27 percent) and the number of overwithheld employees under \$5,000 would be cut by almost 13 million (or by two-thirds). Some additional withholding would be imposed on higher income people who are overwithheld on now. This results largely from the fact that such employees have substantial itemized deductions relative to income. Overall, the proposal would increase the net amount of overwithholding in the tax system by \$50 million but decrease the number of employees with overwithholding by 13 million net.

TABLE 1.—*Effect of proposed graduated withholding on present law withholding (1966 levels)*¹

	Present 14-percent with- holding	Net change from present law	Proposed graduated with- holding
All returns:			
A. Number of returns (millions):			
1. Overwithholding.....	36.9	-13.1	23.8
2. Underwithholding.....	14.2	-3.8	10.4
3. Breakevens ²	12.0	+16.9	28.9
4. Total.....	63.1		63.1
B. Amount (\$ millions):			
1. Overwithholding.....	6,000	+50	6,050
2. Underwithholding.....	2,400	-1,190	1,210
3. Total withholding.....	36,500	+1,240	37,740
Under \$5,000 AGI:			
A. Number of returns (millions):			
1. Overwithholding.....	19.3	-12.6	6.7
2. Underwithholding.....	2.8	-0.3	2.5
3. Breakevens ²	9.3	+12.9	22.2
4. Total.....	31.4		31.4
B. Amount (\$ millions):			
1. Overwithholding.....	1,872	-500	1,372
2. Underwithholding.....	233	(³)	233
3. Total withholding.....	5,600	-500	5,100
\$5,000-\$10,000 AGI:			
A. Number of returns (millions):			
1. Overwithholding.....	14.7	-2.6	12.1
2. Underwithholding.....	5.7	-1.2	4.5
3. Breakevens ²	2.3	+3.8	6.1
4. Total.....	22.7		22.7
B. Amount (\$ millions):			
1. Overwithholding.....	3,510	-20	3,490
2. Underwithholding.....	798	-250	548
3. Total withholding.....	18,000	+230	18,230
\$10,000 and over AGI:			
A. Number of returns (millions):			
1. Overwithholding.....	2.9	+2.1	5.0
2. Underwithholding.....	5.7	-2.3	3.4
3. Breakevens ²	0.4	+0.2	0.6
4. Total.....	9.0		9.0
B. Amount (\$ millions):			
1. Overwithholding.....	618	+570	1,188
2. Underwithholding.....	1,369	-940	429
3. Total withholding.....	12,900	+1,510	14,410

¹ Based on taxable and nontaxable returns with salaries and wages and no declaration payments.

² Breakeven defined as within \$10 of the tax liability.

³ Net change would not be significant.

ADDITIONAL EXHIBIT TABLES

TABLE 2. Proposed Graduated Withholding Rate Schedules for Annual and Weekly Pay Roll Periods

TABLE 3. Tax Liability and Withholding Under Present 14 Percent Withholding and Graduated Withholding for Selected Taxpayers

TABLE 4. Comparison of Effective Tax Rates and Effective Withholding Rates Under Present Law and Under Proposed Graduated Withholding

EXHIBIT TABLE 2.—*Proposed graduated withholding rate schedules for annual and weekly pay roll periods*

PART 1. ANNUAL PAY ROLL PERIOD

The following is an illustration of the new withholding system as applied to an annual pay roll period and utilizing the percentage method of computation:

Single person

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Over \$200 but not over \$700	14% of wages in excess of \$200.
Over \$700 but not over \$1,200	\$70 plus 15% of wages in excess of \$700.
Over \$1,200 but not over \$4,400	\$145 plus 17% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800	\$689 plus 20% of wages in excess of \$4,400.
Over \$8,800 but not over \$11,000	\$1,569 plus 25% of wages in excess of \$8,800.
Over \$11,000	\$2,119 plus 30% of wages in excess of \$11,000.

Married person

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200	0.
Over \$200 but not over \$1,200	14% of wages in excess of \$200.
Over \$1,200 but not over \$4,400	\$140 plus 15% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800	\$620 plus 17% of wages in excess of \$4,400.
Over \$8,800 but not over \$17,700	\$1,368 plus 20% of wages in excess of \$8,800.
Over \$17,700 but not over \$22,000	\$3,148 plus 25% of wages in excess of \$17,700.
Over \$22,000	\$4,223 plus 30% of wages in excess of \$22,000.

PART 2. WEEKLY PAY ROLL PERIOD

The following is an illustration of the new withholding system as applied to a weekly pay roll period and utilizing the percentage method of computation:

Single person

If the amount of wages reduced by \$13.50 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$4	0.
Over \$4 but not over \$13	14% of wages in excess of \$4.
Over \$13 but not over \$23	\$1.26 plus 15% of wages in excess of \$13.
Over \$23 but not over \$85	\$2.76 plus 17% of wages in excess of \$23.
Over \$85 but not over \$169	\$13.30 plus 20% of wages in excess of \$85.
Over \$169 but not over \$212	\$30.10 plus 25% of wages in excess of \$169.
Over \$212	\$40.85 plus 30% of wages in excess of \$212.

Married person

If the amount of wages reduced by \$15.50 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$4	0.
Over \$4 but not over \$23	14% of wages in excess of \$4.
Over \$23 but not over \$85	\$2.66 plus 15% of wages in excess of \$23.
Over \$85 but not over \$169	\$11.96 plus 17% of wages in excess of \$85.
Over \$169 but not over \$340	\$26.24 plus 20% of wages in excess of \$169.
Over \$340 but not over \$423	\$60.44 plus 25% of wages in excess of \$340.
Over \$423	\$81.19 plus 30% of wages in excess of \$423.

EXHIBIT TABLE 3.—*Tax liability and withholding under present 14-percent withholding and graduated withholding for selected taxpayers*¹

Wage income (no other income)	Tax liability	Amount of withholding ²		Change in withholding	Overwithholding (+) or underwithholding (-)	
		Present 14 percent	Graduated withholding		Present 14 percent	Graduated withholding
		Single individual				
	\$14	\$47	\$14	-\$33	+\$33	-----
\$1,000	161	187	162	-25	+26	+\$1
\$2,000	329	327	332	+5	-2	+3
\$3,000	671	607	672	+65	-64	+1
\$5,000	1,168	957	1,169	+212	-211	+1
\$7,500	1,742	1,307	1,694	+387	-435	-48
\$10,000	2,398	1,657	2,359	+702	-741	-39
\$12,500	3,154	2,006	3,109	+1,103	-1,148	-45
\$15,000	4,918	2,707	4,609	+1,902	-2,211	-309
\$20,000	6,982	3,407	6,109	+2,702	-3,575	-873
\$25,000						
		Married couple, ³ no dependents				
	200	233	200	-33	+33	-----
\$3,000	501	513	500	-13	+12	-1
\$5,000	914	863	909	+46	-51	-5
\$7,500	1,342	1,213	1,334	+121	-129	-8
\$10,000	1,831	1,563	1,828	+265	-268	-3
\$12,500	2,335	1,913	2,328	+415	-422	-7
\$15,000	3,484	2,613	3,373	+760	-871	-111
\$20,000	4,796	3,313	4,703	+1,390	-1,483	-93
\$25,000						
		Married couple, ³ two dependents				
	0	46	0	-46	+46	-----
\$3,000	290	326	290	-36	+36	-----
\$5,000	686	676	671	-5	-10	-15
\$7,500	1,114	1,026	1,096	+70	-88	-18
\$10,000	1,567	1,376	1,548	+172	-191	-19
\$12,500	2,062	1,726	2,048	+322	-336	-14
\$15,000	3,160	2,426	3,048	+622	-734	-112
\$20,000	4,412	3,126	4,283	+1,157	-1,286	-129
\$25,000						

¹ Assumes deductions equal to 10 percent of income or the minimum standard deduction, whichever is larger.

² Computed on an annual basis by the percentage method which may differ slightly from withholding tables. Assumes employment is regular and all exemptions claimed for the entire year for withholding purposes.

³ Assumes one wage earner and joint return.

EXHIBIT TABLE 4.—Comparison of effective tax rates and effective withholding rates under present law and under proposed graduated withholding plan

Wage income (no other income)	Effective withholding rate ¹		Effective tax rate under present law ²	
	Present law 14% withholding	Proposed graduated withholding	Deductions 10% of income or minimum standard deduction whichever is greater	Deductions 20% of income or minimum standard deduction whichever is greater
Single person (one exemption)				
	Percent	Percent	Percent	Percent
\$1,000	4.7	1.4	1.4	1.4
\$3,000	10.9	11.1	11.0	9.2
\$5,000	12.1	13.4	13.4	11.5
\$7,500	12.8	15.6	15.6	13.3
\$10,000	13.0	16.9	17.4	14.8
\$15,000	13.4	20.7	21.0	17.2
\$20,000	13.5	23.0	24.6	20.5
\$30,000	13.7	25.4	30.8	25.8
Married couple, no children (two exemptions)				
\$3,000	7.8	6.7	6.7	5.7
\$5,000	10.3	10.0	10.0	8.4
\$7,500	11.5	12.1	12.2	10.3
\$10,000	12.1	13.3	13.4	11.5
\$15,000	12.8	15.5	15.5	13.3
\$20,000	13.1	16.9	17.4	14.8
\$30,000	13.4	20.7	21.0	17.6
\$50,000	13.6	24.4	27.7	23.2
Married couple, two children (four exemptions)				
\$3,000	1.6	0	0	0
\$5,000	6.5	5.8	5.8	4.6
\$7,500	9.0	8.9	9.1	7.4
\$10,000	10.3	11.0	11.1	9.2
\$15,000	11.5	13.6	13.7	11.5
\$20,000	12.1	15.2	15.8	13.3
\$30,000	12.8	19.3	19.6	16.3
\$50,000	13.2	23.6	26.8	22.1

¹ Withheld tax divided by wage income.² Tax liability divided by wage income.

NOTE.—Taxes were computed under the assumptions stated in footnotes 2 and 3 of Table 3.

EXHIBIT II.—Acceleration of payment of estimated tax by corporations

A. EFFECTS OF PROPOSAL

The President's proposal for a quicker transition to a fully current tax payment basis for large corporations would affect only about 16,000 large corporations with tax liabilities in excess of \$100,000 annually. This group of companies represents about 2 percent of the approximately 700,000 taxable corporations.

The proposal would increase Federal revenue collections by about \$1 billion in the fiscal year 1966 and by about \$3.2 billion in fiscal 1967.

The schedule of tax payments under the past and existing transition rules and the proposed shorter transition are illustrated in Table 1.

B. SCHEDULES OF ESTIMATED TAX PAYMENTS

Tables 2A and 2B present a detailed analysis of the schedule of corporate tax payments, by quarters and by years, under existing law for the period 1965-71, assuming 100 percent and 75 percent estimation of tax respectively. The 75-percent estimation roughly reflects actual experience because of the tolerance rules.

Tables 3A and 3B show a similar detailed analysis of quarterly and annual tax payments under the proposed shorter transition, also assuming 100 percent and 75 percent estimation, respectively.

Tables 4A and 4B make a detailed comparison of quarterly and annual tax payments under the existing and proposed transition rules, for the years 1965-71, again assuming 100 percent and 75 percent estimation of tax, respectively. As these tables show, the proposal results in no net increase or decrease in total tax payments over the entire period.

TABLE 1.—Illustrative payment schedule for corporation income tax under law prior to 1950, Mills Plan 1950-54, partial current payment plan 1955-63, present transition to fully current payment 1964-70, and proposed shortened transition schedule 1966-67—calendar year corporation, constant annual tax liability of \$100 subject to current payment, assuming full estimation.¹

Calendar year	Current taxable year				Following year			
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15	Sept. 15	Dec. 15
1949					\$25	\$25	\$25	\$25
1950					30	30	20	20
1951					35	35	15	15
1952					40	40	10	10
1953					45	45	5	5
1954					50	50	0	0
1955			\$5	\$5	45	45		
1956			10	10	40	40		
1957			15	15	35	35		
1958			20	20	30	30		
1959-63			25	25	25	25		
1964	\$1	\$1	25	25	24	24		
1965	4	4	25	25	21	21		
1966	9	9	25	25	16	16		
1967	14	14	25	25	11	11		
1968	19	19	25	25	6	6		
1969	22	22	25	25	3	3		
1970 and subsequent	25	25	25	25	0	0		
Proposed shortened transition schedule 1966-67								
1966	12	12	25	25	13	13		
1967 and subsequent	25	25	25	25	0	0		

¹ Actual current payment may be based on less than full estimated tax under tolerance rules which prevent any penalty for underpayment if the estimated tax payments are based upon (1) 70 percent of the actual tax in excess of \$100,000; (2) last year's tax (in excess of \$100,000); (3) the tax at current rates on last year's income (in excess of \$100,000); or (4) 70 percent of the tax for the current year (in excess of \$100,000), computed on the basis of an annualization of the year's income to date.

NOTE.—For 1955 and later years, figures relate only to portion of estimated tax in excess of \$100,000. For those years, payments will still be due on March 15 and June 15 with respect to the first \$100,000 of tax liability and any underestimated tax.

TABLE 2-A.—*Current tax payments for corporations: Illustrative schedule of tax liabilities and payments, calendar year taxpayer, under present tax rates and present current payment schedule, assuming 100-percent estimation*

[For explanation of upper and lower row figures, see footnote below]²

Calendar year	Tax liability	Tax payments					Total tax payments for year
		March	April	June	September	December	
1965-----	100.00	¹ 24.99		¹ 24.99			
1966-----	100.00	21.00	4.00	4.00	25.00	25.00	107.98
1967-----	100.00	16.00	9.00	9.00	25.00	25.00	110.00
1968-----	100.00	11.00	14.00	14.00	25.00	25.00	110.00
1969-----	100.00	6.00	19.00	19.00	25.00	25.00	110.00
1970-----	100.00	3.00	22.00	22.00	25.00	25.00	106.00
1971 and subsequent-----	100.00	0	25.00	25.00	25.00	25.00	106.00
			25.00	25.00	25.00	25.00	100.00

¹ These 1965 payments of 1964 tax are based on \$104.17 of tax liability in 1964 resulting from the 50 percent rate in that year. They would be \$24.00 if the 1964 tax liability was \$100.

² Upper row of figures opposite calendar year represents payments on account of prior year tax; lower row, payments on account of current year tax.

NOTE.—Figures are based on \$100 of tax liability subject to current payment and a 48 percent effective rate.

TABLE 2-B.—*Current tax payments for corporations: Illustrative schedule of tax liabilities and payments, calendar year taxpayer, under present tax rates and present current payment schedule, assuming 75-percent estimation*

[For explanation of upper and lower row figures, see footnote below]²

Calendar year	Tax liability	Tax payments					Total tax payments for year
		March	April	June	September	December	
1965-----	100.00	¹ 31.77		¹ 31.77			
1966-----	100.00	28.25	3.00	3.00	18.75	18.75	107.04
1967-----	100.00	24.50	6.75	6.75	18.75	18.75	107.50
1968-----	100.00	20.75	10.50	10.50	18.75	18.75	107.50
1969-----	100.00	17.00	14.25	14.25	18.75	18.75	107.50
1970-----	100.00	14.75	16.50	16.50	18.75	18.75	104.50
1971 and subsequent-----	100.00	12.50	18.75	18.75	18.75	18.75	104.50
			18.75	18.75	18.75	18.75	100.00

¹ These 1965 payments of 1964 tax are based on \$104.17 of tax liability in 1964 resulting from the 50 percent rate in that year. They would be \$30.50 if the 1964 tax liability was \$100.

² Upper row of figures opposite calendar year represents payments on account of prior year tax; lower row, payments on account of current year tax.

NOTE.—Figures are based on \$100 of tax liability subject to current payment and a 48 percent effective rate.

TABLE 3-A.—*Shortened transition to fully current tax payment for corporations: Illustrative schedule of tax liabilities and payments, 1965-68, calendar year corporation, assuming 100 percent estimation of actual tax*

[For explanation of upper and lower row figures, see footnote below] ¹

Calendar year	Tax liability	Tax payments					Total tax payments for year
		March	April	June	September	December	
1965.....	\$100	² \$24.99	-----	² \$24.99	-----	-----	-----
			\$4	4.00	\$25	\$25	\$107.98
1966.....	100	21.00	-----	21.00	-----	-----	-----
			12	12.00	25	25	116.00
1967.....	100	13.00	-----	13.00	-----	-----	-----
			25	25.00	25	25	126.00
1968 and subsequent.....	100	0	-----	0	-----	-----	-----
			25	25.00	25	25	100.00

¹ Upper row of figures opposite each calendar year represents payments on account of prior year tax; lower row, payments on account of current year tax.

² These 1965 payments of 1964 tax are based on \$104.17 of tax liability in 1964 resulting from the 50-percent rate in that year. They would be \$24 if the 1964 liability were \$100.

NOTE.—Figures are based on \$100 of tax liability subject to current payment and a 48 percent effective rate.

TABLE 3-B.—*Shortened transition to fully current tax payment for corporations: Illustrative schedule of tax liabilities and payments, 1965-68 calendar year corporation, assuming 75 percent estimation of actual tax*

[For explanation of upper and lower row figures, see footnote below] ¹

Calendar year	Tax liability	Tax payments					Total tax payments for year
		March	April	June	September	December	
1965.....	\$100	² \$31.77	-----	² \$31.77	-----	-----	-----
			\$3.00	3.00	\$18.75	\$18.75	\$107.04
1966.....	100	28.25	-----	28.25	-----	-----	-----
			9.00	9.00	18.75	18.75	112.00
1967.....	100	22.25	-----	22.25	-----	-----	-----
			18.75	18.75	18.75	18.75	119.50
1968 and subsequent.....	100	12.50	-----	12.50	-----	-----	-----
			18.75	18.75	18.75	18.75	100.00

¹ Upper row of figures opposite each calendar year represents payments on account of prior year tax; lower row, payments on account of current year tax.

² These 1965 payments of 1964 tax are based on \$104.17 of tax liability in 1964 resulting from the 50-percent rate in that year. They would be \$30.50 if the 1964 liability were \$100.

NOTE.—Figures are based on \$100 of tax liability subject to current payment and a 48 percent effective rate.

TABLE 4-A.—Comparison of tax payments under present and proposed transition schedule, by quarter and annually—calendar year corporation, 1965-71 assuming 100 percent estimation ¹

	March	April	June	September	December	Total
<i>1965</i>						
Actual (no change).....	24.99	4.00	28.99	25.00	25.00	107.98
<i>1966</i>						
Present.....	21.00	9.00	30.00	25.00	25.00	110.00
Proposed.....	21.00	12.00	33.00	25.00	25.00	116.00
Increase or decrease.....	0	+3.00	+3.00			+6.00
<i>1967</i>						
Present.....	16.00	14.00	30.00	25.00	25.00	110.00
Proposed.....	13.00	25.00	38.00	25.00	25.00	126.00
Increase or decrease.....	-3.00	+11.00	+8.00			+16.00
<i>1968</i>						
Present.....	11.00	19.00	30.00	25.00	25.00	110.00
Proposed.....	0	25.00	25.00	25.00	25.00	100.00
Increase or decrease.....	-11.00	+6.00	-5.00			-10.00
<i>1969</i>						
Present.....	6.00	22.00	28.00	25.00	25.00	106.00
Proposed.....	0	25.00	25.00	25.00	25.00	100.00
Increase or decrease.....	-6.00	+3.00	-3.00			-6.00
<i>1970</i>						
Present.....	3.00	25.00	28.00	25.00	25.00	106.00
Proposed.....	0	25.00	25.00	25.00	25.00	100.00
Increase or decrease.....	-3.00	0	-3.00			-6.00
<i>1971</i>						
Present.....	0	25.00	25.00	25.00	25.00	100.00
Proposed.....	0	25.00	25.00	25.00	25.00	100.00
Increase or decrease.....	0	0	0			0
Net of increases and decreases in payments, 1965-71.....	-23.00	+23.00	0			0

¹ These payments are based on \$100 of tax liability subject to current payment and a 48-percent effective rate.

TABLE 4-B.—Comparison of tax payments under present and proposed transition schedule, by quarter and annually, calendar year corporation, 1965-71, assuming 75-percent estimation ¹

	March	April	June	September	December	Total
<i>1965</i>						
Actual (no change).....	31.77	3.00	34.77	18.75	18.75	107.04
<i>1966</i>						
Present.....	28.25	6.75	35.00	18.75	18.75	107.50
Proposed.....	28.25	9.00	37.25	18.75	18.75	112.00
Increase or decrease.....	0	+2.25	+2.25			+4.50
<i>1967</i>						
Present.....	24.50	10.50	35.00	18.75	18.75	107.50
Proposed.....	22.25	18.75	41.00	18.75	18.75	119.50
Increase or decrease.....	-2.25	+8.25	+6.00			+12.00
<i>1968</i>						
Present.....	20.75	14.25	35.00	18.75	18.75	107.50
Proposed.....	12.50	18.75	31.25	18.75	18.75	100.00
Increase or decrease.....	-8.25	+4.50	-3.75			-7.50
<i>1969</i>						
Present.....	17.00	16.50	33.50	18.75	18.75	104.50
Proposed.....	12.50	18.75	31.25	18.75	18.75	100.00
Increase or decrease.....	-4.50	+2.25	-2.25			-4.50
<i>1970</i>						
Present.....	14.75	18.75	33.50	18.75	18.75	104.50
Proposed.....	12.50	18.75	31.25	18.75	18.75	100.00
Increase or decrease.....	-2.25	0	-2.25			-4.50
<i>1971</i>						
Present.....	12.50	18.75	31.25	18.75	18.75	100.00
Proposed.....	12.50	18.75	31.25	18.75	18.75	100.00
Increase or decrease.....	0	0	0			0
Net of increases and decreases in payments, 1965-71.....	-17.25	+17.25	0			0

¹ These payments are based on \$100 of tax liability subject to current payment and a 48-percent effective rate.

EXHIBIT III.—Inclusion of self-employment tax in the estimated tax

Beginning in 1951, when the self-employment tax was first effective, the maximum tax per individual was \$81 and no provision seemed necessary for including this tax in the estimated tax. Since then the maximum tax has been increased to \$405.90 for 1966. Further increases are scheduled from 1967 through 1987 when the maximum tax per individual will reach \$514.80. Table 1 shows the increase in the maximum tax liability per individual over the years since enactment of the self-employment tax and the rate and base changes.

Table 2 illustrates, with three examples, the lump-sum impact of the self-employment tax for 1966 under present law.

Table 3 indicates the growth of total self-employment tax liability and average tax per return, since 1951.

Table 4 illustrates the payment schedule of maximum self-employment tax under the Administration proposal.

TABLE 1.—Growth in maximum dollar amount of self-employment tax for individuals

Year	Maximum net earnings base ¹	Tax rate	Maximum tax per person
		<i>Percent</i>	
1951-53.....	\$3,600	2.25	\$81.00
1954.....	3,600	3.0	108.00
1955-56.....	4,200	3.0	126.00
1957-58.....	4,200	3.375	141.75
1959.....	4,800	3.75	180.00
1960-61.....	4,800	4.5	216.00
1962.....	4,800	4.7	225.60
1963-65.....	4,800	5.4	259.20
1966.....	6,600	² 6.15	405.90
1967-68.....	6,600	6.40	422.40
1969-72.....	6,600	7.10	468.60
1973-75.....	6,600	7.55	498.30
1976-79.....	6,600	7.60	501.60
1980-86.....	6,600	7.70	508.20
1987+.....	6,600	7.80	514.80

¹ The minimum net earnings subject to the self-employment rate has been \$400 since 1951.

² Includes OASDI (social security) tax rates and HI (medicare) tax rate for 1966 and all following years.

TABLE 2.—Present law examples of lump sum self-employment tax**EXAMPLE I**

A widow with three children owns and operates a florist shop. Her annual net profits are \$5,000, on which she must pay a self-employment tax for 1966 of \$307.50.

1. Adjusted gross income.....		\$5,000.00
2. Less: Personal and dependency exemptions.....	\$2,400.00	
3. Less: Itemized deductions.....	1,400.00	
4. Taxable income.....		1,200.00
5. Income tax liability for year (head of household rates).....		172.00
6. Less: Quarterly declaration payments:		
Apr. 15, 1966.....	43.00	
June 15, 1966.....	43.00	
Sept. 15, 1966.....	43.00	
Jan. 15, 1967.....	43.00	
Total.....		172.00
7. Final income tax due Apr. 15, 1967.....		0
8. Self-employment tax due Apr. 15, 1967.....		307.50

EXAMPLE II

A married couple has two children. The wife works for the Federal Government and receives an annual salary of \$3,500. The husband is a self-employed barber and receives an annual net profit of \$3,000, on which he must pay self-employment tax for 1966 of \$184.50.

1. Adjusted gross income-----		\$6, 500. 00
2. Less: Personal and dependency exemptions-----	\$2, 400. 00	
3. Less: Itemized deductions-----	1, 600. 00	
4. Taxable income-----		2, 500. 00
5. Income tax liability for year-----		370. 00
6. Less: Federal income tax withholding from wife's salary (claiming 2 withholding exemptions instead of 4)-----	301. 60	
7. Less: Quarterly declaration payments:		
April 15, 1966-----	\$17. 10	
June 15, 1966-----	17. 10	
Sept. 15, 1966-----	17. 10	
Jan. 15, 1967-----	17. 10	
Total-----	68. 40	
8. Final income tax due April 15, 1967-----		0
9. Self-employment tax due April 15, 1967-----		184. 50

EXAMPLE III

A married couple with two children are equal partners and operate a small magazine and newsstand. Their total net profit is \$7,000 a year, and each pays a self-employment tax for 1966 of \$215.25 based on half the profits—\$3,500.

1. Adjusted gross income-----		\$7, 000. 00
2. Less: Personal and dependency exemptions-----	\$2, 400. 00	
3. Less: Itemized deductions-----	1, 400. 00	
4. Taxable income-----		3, 200. 00
5. Income tax liability for year-----		484. 00
6. Less: Quarterly declaration payments:		
Apr. 15, 1966-----	121. 00	
June 15, 1966-----	121. 00	
Sept. 15, 1966-----	121. 00	
Jan. 15, 1967-----	121. 00	
Total-----	484. 00	
7. Final income tax due Apr. 15, 1967-----		0
8. Self-employment tax due Apr. 15, 1967-----		430. 50

TABLE 3.—Growth in self-employment tax liability

Year	Self-employment tax		
	Number of income tax returns reporting self-employment tax	Amount of self-employment tax	Average tax per return ¹
	<i>Millions</i>	<i>Millions</i>	
1951.....	4.1	\$211.3	\$51.90
1952.....	4.1	217.5	53.60
1953.....	4.2	226.6	53.70
1954.....	4.2	301.5	71.60
1955.....	6.6	463.2	69.70
1956.....	7.4	533.1	72.50
1957.....	7.0	581.2	83.10
1958.....	7.0	589.2	84.00
1959.....	7.0	701.5	99.70
1960.....	6.9	833.5	121.00
1961.....	6.7	840.1	124.50
1962.....	6.7	887.2	132.90
1963.....	6.5	1,002.2	154.60
1964 (preliminary).....	6.3	1,009.0	160.00
1965 (estimate).....	6.2	1,050.0	169.00
1966 (estimate).....	6.1	1,500.0	246.00

¹ Average computed from unrounded figures.

TABLE 4.—Payment schedule of maximum self-employment tax under present law and under proposal for quarterly payment of self-employment tax, effective with June 15, 1966, payment of estimated tax

Calendar year	Self-em- ployment tax liability	Present law tax payment	Proposed tax payments				Proposed tax payment (total)
			Jan. 15	Apr. 15	June 15	Sept. 15	
	Assuming 70 percent quarterly payments						
1965-----	\$259.20	\$259.20	-----	\$259.20	-----	-----	\$259.20
1966-----	405.90	259.20	-----	259.20	\$71.04	\$71.04	401.28
1967-----	422.40	405.90	\$71.04	192.78 73.92	73.92	73.92	435.58
				266.70			
1968-----	422.40	422.40	73.92	126.72 73.92	73.92	73.92	422.40
				200.64			
	Assuming 100 percent quarterly payments						
1965-----	259.20	259.20	-----	259.20	-----	-----	259.20
1966-----	405.90	259.20	-----	259.20	101.48	101.48	462.16
1967-----	422.40	405.90	101.47	101.47 105.60	105.60	105.60	519.74
				207.07			
1968-----	422.40	422.40	105.60	105.60	105.60	105.60	422.40

NOTE.—Where two payments appear on April 15, the upper figure is the unpaid balance for the previous year and the one below is the current payment for the current year.

The CHAIRMAN. As indicated in the press release, the committee will today receive testimony from the Honorable Henry H. Fowler, Secretary of the Treasury, to be followed by testimony from the general public beginning on January 27. Secretary Fowler will return to the committee after the President's budget has been transmitted to the Congress.

We are always pleased to have you with us, Mr. Secretary. You are recognized, sir.

STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY; ACCOMPANIED BY HON. SHELDON S. COHEN, COMMISSIONER OF INTERNAL REVENUE; AND HON. STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY

Secretary FOWLER. Thank you, Mr. Chairman, and members of the committee, I appreciate this opportunity to present the President's tax program recommended in his state of the Union message on which the earliest possible action would be desirable.

I would like first to express my special appreciation for the promptness with which the committee has begun the process of legislative consideration of this program. As the President has made clear in his state of the Union message, this program is designed to fit the immediate budget and economic situation, and it will be of most benefit if it is enacted promptly.

Now, Mr. Chairman, I think members of the committee have copies of a letter which was addressed to you from President Johnson dated today. This letter is being released this morning, both here in the committee room and at the White House, dealing with the President's own views of the tax proposals that were set forth in relatively brief form in his state of the Union message. The letter is simply designed to develop his own thinking and attitude toward the measures in a more complete way than was possible in the timespan permitted in the message.

Since a good deal of what is contained in the President's letter is basic to my presentation this morning on behalf of the Treasury and the administration, with your permission, I would like to read it as a part of my statement as well. [Reading:]

THE WHITE HOUSE,
Washington, January 19, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: In my state of the Union message, I recommended a number of tax changes to help pay for the increased costs associated with the war in Vietnam. I deeply appreciate your swift action in beginning hearings on those measures just 1 week later.

When I began preparing my budget several weeks ago, departments and agencies of this Government initially requested more than \$130 billion for fiscal year 1967. I established three principles in my review of those requests.

Hold all expenditures to a minimum consistent with our defense commitments and other essential programs.

Eliminate all unnecessary and obsolete activities.

Conduct essential activities at the lowest possible cost.

As a result, apart from the special cost of Vietnam, I reduced budget expenditures to a level only \$600 million above fiscal year 1966.

My proposed expenditures for fiscal year 1967 are \$112.8 billion. More than half—\$58.3 billion—will be for defense purposes.

Our present estimates for Vietnam will add \$10.5 billion to the amount originally estimated for this purpose last January—\$4.7 billion to fiscal year 1966 and \$5.8 billion to fiscal year 1967.

These expenditures come at a time of unparalleled prosperity.

We have virtually reached our long sought initial goal of 4 percent unemployment. And unemployment will be reduced below 4 percent during the coming year.

In the past 5 years, consumer income after taxes is up \$129 billion; corporate profits have risen an unprecedented 67 percent.

Your administration's fiscal policy has been the main stimulus for this 59 months of unparalleled prosperity. A further stimulus to keep the economy on its rising path is no longer necessary. The basic economic policy that justified tax cuts in recent years must be set aside until the uncertain but increasingly high demands of hostilities in Vietnam are no longer with us.

The moneys that will flow into the Federal Treasury under present tax laws will not be sufficient to maintain the right fiscal balance during the coming year. Without any changes in the tax laws, budget receipts will rise sharply in response to the sustained economic expansion. But they still would be too low to maintain our economic growth and prosperity without running the risk of inflation.

Under these circumstances, I was faced with three choices:

A deficit in excess of \$6.5 billion, which would require the Government to borrow the additional money.

An increase in corporate and personal income tax rates, or other new taxes.

Temporary restoration of certain excise taxes, and adoption of graduated withholding of individual income taxes and current payment of corporate income taxes, to put the American people on a pay-as-you-go basis without increasing the total tax bill due.

Over the past several weeks I discussed these alternatives and countless variations of them with my advisers. I made two decisions:

First, we could raise revenue or borrow it. I chose to raise the money.

Second, I chose to raise that money without any increases in personal and corporate income tax liabilities, but through changes that affect only the timing of tax payments and the temporary restoration of certain excise taxes on telephones and automobiles.

I realize that two of these measures—the graduated withholding proposal and accelerated corporate income tax payments—are measures that will provide increased revenues for the Government on a one-time basis only. But this is precisely why I recommended them.

I believe these measures are preferable to increasing personal or corporate income tax rates or other tax measures, which are not clearly required at this time. For my advisers and I cannot predict how long the Vietnam conflict will last and what the financial needs of your Government will be for Vietnam beyond the next year.

If our needs in Vietnam require additional revenues, I will not hesitate to request them. On the other hand, if our efforts for a peaceful resolution of the Vietnam situation are successful—and those efforts will continue day and night—then your Government's need for revenues will be sharply reduced, thus permitting downward tax revisions as we had following Korea.

These tax changes will—

Balance the cash budget.

Reduce the deficit in the administrative budget to the lowest level in 7 years.

Help to maintain economic growth without the risks of inflation.

I believe that the changes are moderate, equitable, responsible, and essential. I hope that your committee and the Congress will act promptly, if at all possible, so they can reach my desk for signature before March 15 in order that all our taxpayers will have adequate notice and we can thus secure full compliance.

Sincerely,

LYNDON B. JOHNSON.

Now, resuming my own statement, Mr. Chairman, we recognize, of course, the importance of careful legislative consideration. For that

reason, I set forth the details of the program in my letter of January 13 to Chairman Mills. These proposals deal in considerable part with subjects that have been examined before, and prompt legislative action should thereby be facilitated.

Briefly, the program involves (a) rescheduling the 1966-69 reductions in the automobile and telephone excise taxes to the period 1968-71; and (b) the adoption of certain collection procedures which will put income and self-employment taxpayments closer to a pay-as-you-go system, thereby increasing current revenues without changing income tax rates and without changing anyone's final tax liabilities.

Since the fiscal situation has been largely covered by the President's own letter, my own treatment of it will be relatively brief here this morning.

THE FISCAL SITUATION

These tax changes are recommended in the interest of sound economic and budget policy in the fiscal years 1966 and 1967. Although the budget details will not be made public for another few days, we have the essential fiscal facts before us. The main fact is that increased special costs associated with Vietnam will add \$4.7 billion in fiscal year 1966 expenditures and \$10.5 billion in fiscal year 1967 over the amount originally estimated in the estimate last January for fiscal year 1966.

The tax changes proposed to offset these costs will—

- Increase fiscal year 1966 revenues by \$1.2 billion and fiscal year 1967 revenues by \$4.8 billion;

- Lower the administrative budget deficit to \$1.8 billion in fiscal year 1967, the lowest in 7 years;

- Produce in that year a \$500 million surplus in the cash budget, the first in 7 years;

- Minimize the stimulus to the economy from necessary increases in defense spending in the period of high economic activity;

- Help to maintain economic stability and reduce the risks of inflation.

Taxation is one of the best, and most flexible, instruments of economic policy available to the Federal Government. The Revenue Act of 1964, which has done so much to restore vitality to our economic system, demonstrated the effectiveness of tax policy in raising total demand and total output. Had our defense commitments remained unchanged, the rise in tax receipts generated by our growing economy would have enabled us in fiscal year 1967 to have a balanced budget or surplus in a reasonably full employment economy, with some room for increases in Federal civilian expenditures or further tax reduction.

But these plans must be postponed to make room for expenditures needed for our national defense.

These expenditures come at a time when the economy is at the threshold of the 4-percent interim unemployment goal relentlessly pursued for 5 years. Unemployment will be reduced even further during the coming year. There is no shortage of demand; there are some signs of pressure of demand on supply as the gap between the two has narrowed in recent years.

In these circumstances, our fiscal aim is to avoid additional stimulus, diminish the inflationary potential in the economy, and raise Fed-

eral revenues to a point where we can project a near balanced budget in a near full employment economy.

The appropriate fiscal balance can be achieved in the present circumstances by the tax program proposed by the administration. It changes income tax payment schedules without changing rates or anyone's final tax liability, and it postpones certain scheduled excise tax reductions to specified dates.

The proposals included in the program merely extend policies already incorporated in our tax laws. Together with the increased revenues from reasonably anticipated economic expansion, these changes will finance the increased special costs of Vietnam in fiscal year 1967, without substantially increasing our debt and diminish the deficit in fiscal year 1966.

EXCISE TAXES

This is the first specific proposal in the program :

Among the specific proposals of the tax program, I would like to first consider excise taxes. We are proposing the rescheduling of the reduction of the two large excise taxes, those on private automobiles and on telephone service. Under the 1965 legislation, by 1969 the telephone tax would have been eliminated and the automobile tax reduced to 1 percent. Our rescheduling is consistent with the principle, recognized by the Congress in 1965, that reductions in these two large taxes must be scheduled in the light of budgetary constraints. With the changed situation, these constraints are more compelling than was the case when the legislation was enacted last year.

Specifically, the reduction that took place on January 1 of this year should be restored as quickly as possible. This would involve restoring the 7 percent manufacturers excise tax on automobiles, which was reduced to 6 percent on January 1, and the 10 percent tax on local and long-distance telephone and teletypewriter service, which fell to 3 percent the same date. The reductions that took place on January 1, 1966, would, under our recommendation, be rescheduled to take place on January 1, 1968. The further reductions in these two taxes that were scheduled successively for 1967, 1968, and 1969 would be rescheduled for 1969, 1970, and 1971.

We suggest that the restored telephone tax rate be effective on the first day of the first month beginning more than 15 days after the legislation is enacted. Selecting the first of the month is appropriate because the lower 3 percent rate went into effect on the 1st of January. This timing would result in all customers being subject to the lower rate for the same number of months, since the telephone companies use a regular monthly billing rotation. The 15 days leeway is desirable to facilitate the computation of the bills on the new basis.

We recommend that the automobile tax be restored to 7 percent on the day after enactment. In order to assure an orderly transition to the new tax rate, a floor stock tax should be applied to automobiles which dealers and distributors have on hand at the start of the day that the 7 percent rate goes into effect. This is recommended for the same reasons that floor stock refunds are included in each of the scheduled reductions of the automobile tax.

In approaching this question of what short-term adjustments should be made in excise taxes, the question might come up whether some of

the taxes which were repealed as of last June or of last December should be restored. When one looks at this question, several things stand out. In the first place, when a tax is repealed, a lot of accounting and reporting procedures associated with payment of the tax simply disappear. Restoring a tax that has been completely repealed imposes a substantial administrative burden since these reporting and accounting systems have to be reconstituted.

With regard to automobile and telephone taxes, however, only a change in rate is involved—not a restoration of the entire tax.

Also, limiting the changes to these two taxes—which yield substantial revenues—would avoid the necessity of reintroducing the compliance and administrative difficulties involved in much smaller additional taxes on a lot of various items.

In fiscal year 1967, the increase in revenues would be \$420 million from the automobile tax and \$790 million from the telephone tax, a total of \$1.2 billion.

If the legislation is enacted by March 15, 1966, revenue in fiscal year 1966 would be increased by \$60 million, all of which would come from the automobile tax. There are, as you realize, lags between the time the taxes are collected and when they are paid into the Treasury.

The increase in cash payments by consumers reflecting these tax changes in calendar year 1966 would be \$200 million from the automobile tax and \$570 million from the telephone tax.

GRADUATED WITHHOLDING

With regard to the graduated withholding proposal, I think it is important to note at the beginning that a very substantial proportion of our citizens regard a pay-as-you-go tax system as a convenience, not as a penalty. Further, I believe, since the withholding system cannot be perfect, most taxpayers prefer some overwithholding with a refund on April 15 to underwithholding, which means a final tax bill due in April.

Many wage and salary earners, for example, voluntarily understate the number of exemptions to which they are entitled for withholding purposes in order to have their withholding more closely approximate their tax liability or even to result in overwithholding. I am not suggesting that overwithholding should not be kept to the minimum feasible level. We have, in designing the graduated proposal, endeavored to reduce both underwithholding and overwithholding to the extent possible.

The difficulty here is that a withholding system, as a practical matter, can only take into account some broad characteristics of a particular taxpayer, such as his gross income from wages and his marital status and number of exemptions and some overall estimate as to his personal deductions. Any taxpayer might have income from other sources that is not subject to withholding or actual deductions that are more or less than the overall estimate used in the system, or the taxpayer may not be employed continuously during the year. All of these factors—and others—affect the amount of his tax liability.

Beyond recognizing that a withholding system cannot be perfect, we need to look separately at the problems of underwithholding and

overwithholding. By these terms, I am referring to the difference between the amount withheld and the final tax liability.

I. UNDERWITHHOLDING

On the subject of underwithholding, the chief cause of underwithholding today is the fact that present law uses a single rate. Underwithholding occurs in many cases beginning with wages of \$5,000 for a single person and \$7,500 for a married couple.

Our proposal would not change the dollar amount of underwithholding for taxpayers who have adjusted gross incomes below \$5,000 and who do not file quarterly declarations. The dollar amount involved at that level is \$233 million. But on returns with income between \$5,000 and \$10,000, underwithholding would be reduced from \$798 to \$548 million. On returns with income of \$10,000 and above, underwithholding would be reduced from \$1,369 to \$429 million.

Such a reduction in underwithholding means a reduction in the total amount many taxpayers would owe on April 15. The advantage to them of having paid more of their tax bill over the year as they earned their income and having less to pay on April 15 is obvious.

The underwithholding remaining under our proposal, especially below \$10,000, will arise principally where the taxpayer has nonwage income. Above \$10,000, it will arise for that reason and because the tax rates themselves go above our proposed maximum 30 percent withholding rate. In striking a balance, we concluded that it would be undesirable to raise withholding rates further because of the disproportionate additional overwithholding this would create.

II. OVERWITHHOLDING

On the subject of overwithholding, on incomes below \$5,000, one-third of the amounts withheld under present law are in excess of final tax liabilities. A part of this can be eliminated by building the maximum standard deduction into one withholding system. By doing this, our plan would reduce overwithholding at this level by \$500 million. The remainder of overwithholding, which cannot readily be handed without gravely complicating the system, is largely the result of itemized deductions and intermittent employment.

In the income group between \$5,000 and \$10,000, there would be a considerable reduction in the number of people overwithheld but only a slight reduction in the aggregate dollar amount of overwithholding. A sizable number of people in this income range would have small reductions in overwithholding, due to building in the minimum standard deduction. A small number now having overwithholding but not benefiting from incorporation of minimum standard deduction would find their overwithholding slightly increased. In this area, also, the overwithholding is mainly due to itemized deductions and intermittent employment.

In the income group above \$10,000, when declarations are not filed, there is an increase in overwithholding under our proposal equal to about 4.5 percent of the total amount now withheld, or about 4 percent of the final tax liability on those returns. Since the increase in overwithholding in this group seems to be a large figure—\$570 million—

I want to describe in detail why this result is not unreasonable, considered in terms of the entire program.

The first three rates in our proposal are required to reduce underwithholding for taxpayers with incomes of \$10,000 or less.

For the taxpayers with adjusted gross income over \$10,000, further graduation is needed to accomplish adequate reduction of underwithholding. Consequently, the three additional rates of 20, 25, and 30 percent would be applied. Itemized deductions are assumed to be 10 percent, this being the case for about one-third of the taxpayers above \$10,000. This structure would largely eliminate underwithholding above \$10,000.

But the high incidence of large itemized deductions would appear to result in overwithholding under this structure. Sixty percent of this is due to the effect of the first three rates; the balance would result from the last three rates. However, high itemized deductions do not necessarily always produce overwithholding, since most taxpayers above \$10,000 also have nonsalary income. Consequently, use of a level of itemized deductions higher than 10 percent in the construction of the graduated system would have resulted in inadequate withholding both for taxpayers having only salary income with itemized deductions below the assumed higher level and for taxpayers with nonsalary income.

The additional rates in our system above 17 percent would reduce underwithholding above \$10,000 without a disproportionate increase in overwithholding. The total changes above \$10,000 would result in about \$3 of reduction in underwithholding for each \$2 increase in overwithholding.

Taking all income brackets together, the new withholding system would, by its nature, reduce the amount of underwithholding and make very little net change in overwithholding. The most striking feature of the withholding proposal is this: it would increase from about 12 million to about 29 million the number of taxpayers whose withholding comes within \$10 of their final tax liability.

The substance of all these figures is that, at the present time, we have a withholding system which, in a technical sense, does not come as close as we would like to the actual tax liability of the ordinary wage earner—one without outside income. While we know of no feasible system, consistent with our tax laws, that would achieve perfection, we believe that the existing withholding system can be restructured so that it more closely approaches the actual tax liabilities. Our proposals are designed to accomplish this.

We believe that the proposed graduated system is a far better one than the present system, and that it represents an appropriate balancing of the desires of most taxpayers, which are to have withholding come reasonably close to liabilities and to keep overwithholding within reasonable bounds.

During our consideration of the techniques of graduated withholding with representatives of the joint committee staff, we have talked to a number of employers who use various types of payroll machinery. We believe that employers would find that the new withholding provisions do not add any significant problems to their present payroll accounting. One could expect this result simply from the fact that

18 States have already introduced graduated withholding systems, some with more than the 6 rates we are proposing.

The proposed revision of withholding would, on a full annual basis, increase by \$1,240 million per year the revenue raised by withholding. In calendar year 1966, the additional payments would be \$840 million. Budget receipts would increase in fiscal year 1966 by \$95 million and, in fiscal year 1967 by \$400 million. The effective date, coming as it does late in the fiscal year, accounts for the low budget effect in fiscal year 1966. Lower final taxpayments and slightly higher refunds in the spring of 1967, reflecting higher 1966 withholding, would influence the net budget effect in fiscal year 1967.

CORPORATE ACCELERATION

The proposal for acceleration of corporate-tax payments would leave the basic tax liability unchanged. Under present law, by 1970 corporations will pay, with respect to their estimated tax in excess of \$100,000, quarterly payments of 25 percent in April, June, September, and December.

In 1963 these corporations paid during the current year only two quarterly payments—those in September and December. The Revenue Act of 1964 provided that corporations would start to make quarterly payments on a current basis in April and June. These April and June payments were scheduled to increase gradually up to the 25-percent level in 1970. At present they must be 9 percent each in 1966 and 14 percent each in 1967. We propose that these figures be raised to 12 percent in 1966 and to the permanent level of 25 percent in 1967.

In 1963, corporations paid only 50 percent of their estimated tax liability—over \$100,000—in the year in which it was earned. When the Congress decided, in the Revenue Act of 1964, to require that this go up to 100 percent, it was clear that over some period of time corporations would have to make an additional payment of 50 percent of 1 year's estimated tax liability to get current.

In view of the economic conditions existing then, the 1964 act spread this additional payment over 7 years: 2 points in 1964; 6 points in 1965; 10 points each in 1966, 1967, and 1968; and 6 points each in 1969 and 1970.

Under the proposal now being made, the additional payments would be 16 points in 1966 and 26 in 1967 instead of 10 points each year. These payments, with the 2 points from 1964 and the 6 from 1965, add up to 50 points.

The only change is in the timing of the additional payments. If, in 1971, a corporation reviewed its financial experience, it would find that its payments of taxes in that year were exactly the same as they would have been if the present proposal for speeding up the acceleration had not been adopted. If it added up all of its corporate-tax payments from 1964 through 1970, it would still find that the total of those payments was exactly the same as it would have been under present law.

It should be noted that the total increase in all payments for a corporation in 1967 would not be as great as the difference between the percentage of current payment in 1966 and that in 1967, since final pay-

ments due in 1967 would be reduced by the increase in current payment in 1966 over the present schedule.

We do not believe that this speeding up of corporate-tax payments would lead to any appreciable slowdown in the rate of accumulation of real capital goods. It is not our purpose to slow down the rate of growth.

At a time when we are close to full employment and full utilization of capacity, however, a sizable Federal budget deficit could have inflationary implications. For this reason, it is desirable to absorb some of the additional liquidity in the economic system that could otherwise be used in bidding up the prices of capital goods. We believe that our proposed speedup of corporate-tax payments would remove some of this excess business purchasing power without really cutting down the ability to purchase the quantity of capital goods that will be available.

In recent years, corporations have reduced their holdings of liquid assets relative to current liabilities. An accelerated payments requirement would make some corporations reexamine their expenditure plans. They might give second thoughts to some marginal investment projects, deferment of which might ease pressures on costs and prices today and, incidentally, leave more investment possibilities for the future when the expenditures could be more easily absorbed. The increasing tightness on credit markets also indicates that the accelerated payment proposal would have some effect on business expenditures.

This proposal on corporate-tax payments would increase budget receipts in fiscal year 1966 by \$1.0 billion and in fiscal year 1967 by \$3.2 billion. It would increase total taxpayments in calendar year 1966 by \$1.1 billion, because there are, of course, some fiscal-year corporations.

SELF-EMPLOYMENT TAXES

To round out the President's program to make taxpaying more current, we are proposing that social security taxes of the self-employed be paid on an estimated basis.

The present law requires a self-employed individual to estimate and make quarterly installment payments of his income tax if the estimated tax is at least \$40. There is no logic in applying this requirement only to income taxes and not to self-employment taxes.

Under present law, however, for a self-employed individual the requirement for current payment bears only on the part of his end-of-the-year tax liabilities represented by the income tax. In some cases this income tax liability may be only a small part of the final total liability for income and self-employment taxes; in others it may be a large part. Since the taxes relate to the same type of income, it would be appropriate if the entire liability were subject to the same requirement of estimated payment.

The estimated tax system would have the double purpose of making taxpayment more convenient for individuals and providing some equality between people with nonwage income and people with wage income who are subject to withholding. Since employee social security taxes are withheld, it is appropriate to include the self-employment tax in the estimated tax base.

In a tentative General Accounting Office report recently submitted for Treasury Department comments, the GAO recommended an iden-

tical proposal. We understand that the GAO will issue a formal report shortly which includes this recommendation.

Under our proposal, self-employed individuals would make a quarterly payment of one-quarter of their self-employment tax liability on June 15 of this year. There would also be quarterly payments on September 15 and on January 15, 1967. For 1967, an April 15 payment would be required as well as payments by June 15 and September 15, 1967, and January 15, 1968.

This proposal would increase collections in fiscal year 1966 by \$100 million and by \$100 million in fiscal year 1967. This, of course, is only an estimate of what the response would be. As we gained experience, we would develop a procedure for crediting part of the quarterly declaration payments of self-employed individuals to the social security trust fund as these payments come into the Treasury. For this reason, in the long run, the provision would affect only cash budget receipts and not administrative budget receipts.

There would be increased taxpayments of \$200 million in calendar year 1966. This would be \$300 million if January 1967 is included.

I have submitted to the committee a detailed explanation of these recommendations along with detailed exhibits. I understand that these are available to the committee.

CONCLUSION

In summary, the President's tax program is directed toward the immediate situation. It is designed to bring us to a balanced cash budget in fiscal year 1967—indeed, a small surplus—despite the necessary increase in expenditures because of our operations in southeast Asia. At the levels of employment and business activity that are expected in 1966 and 1967, achieving this balance will be very important.

The particular measures advanced are designed to have minimum long-range impact on tax burdens and to achieve desirable structural changes. They deal almost entirely with matters on which there has been study in the past. I am hopeful that they may be acted upon promptly.

Thank you, Mr. Chairman.

I have with me Assistant Secretary Surety and Commissioner Cohen of the Internal Revenue Service to assist in connection with technical questions that the committee may want to ask.

The CHAIRMAN. Mr. Secretary, we thank you, sir, for your statement presenting the details of the President's tax proposals. We appreciate also having with us Mr. Surrey and Mr. Cohen.

Are there any questions? Mr. Boggs.

Mr. BOGGS. Mr. Chairman, I just have one or two questions.

Mr. Secretary, the budget has not been submitted in detail, but you know what the figures are; do you not?

Secretary FOWLER. I am familiar, of course, with the revenue estimates and with the overall figures that have been included in the President's state of the Union message. I am not intimately familiar, Congressman Boggs, with the details of the expenditure figures. I know the overall totals and what is involved in certain categories only, such as defense.

Mr. BOGGS. The overall proposal is how much?

Secretary FOWLER. The overall proposal for expenditures in fiscal year 1967 is \$112.8 billion.

Mr. BOGGS. Does that represent any increase at all in civilian expenditure?

Secretary FOWLER. It represents an increase over fiscal 1966 estimated expenditures in that part of the budget other than the special costs of Vietnam of \$600 million?

Mr. BOGGS. That includes every program in the Government?

Secretary FOWLER. Yes, sir.

Mr. BOGGS. Including the administration of such an agency as your own?

Secretary FOWLER. I didn't hear you.

Mr. BOGGS. Including all of the old-line agencies?

Secretary FOWLER. Yes, sir.

Mr. BOGGS. How much increase is anticipated for the war in Vietnam?

Secretary FOWLER. The increase for the war in Vietnam is, for fiscal year 1967 over fiscal year 1966, \$5,800 million. I should also note that the fiscal year 1966 now includes an estimated additional expenditure over the original January estimate last year for fiscal 1966 of \$4.7 billion, so from the time when the January estimate was presented last year for fiscal 1966 to the present budget estimate, there has been provided in the expenditure level for fiscal 1967 an increase of \$10½ billion over the original figures for 1966 for special Vietnam costs.

Mr. BOGGS. What is the total amount involved in the proposals now before the committee, of revenue?

Secretary FOWLER. For fiscal 1966 it would add revenues to the administrative budget of \$1,200 million. For fiscal 1967 revenues, there is an additional \$3.6 billion, or a total for fiscal 1967 of \$4.8 billion.

Now, in addition to that \$4.8 billion, which would be revenues going into the administrative budget, there is an additional \$100 million that would go into the Social Security Trust Fund from the self-employment tax.

Mr. BOGGS. What increase do you expect in the Federal revenues as a result of the increase of economic activity?

Secretary FOWLER. Well, those figures will be developed in some detail, Congressman Boggs, in the budget message which will be before the committee Monday afternoon.

Mr. BOGGS. Could you give us a rough guess?

Secretary FOWLER. A rough guess would be around \$7 to \$8 billion; possibly more.

Mr. BOGGS. \$7 or \$8 billion?

Secretary FOWLER. Yes, sir.

Mr. BOGGS. So that with the increased revenues from full employment or approaching full employment, plus the structural adjustments suggested here, you anticipate a near balance in both aspects of the budget: is that correct?

Secretary FOWLER. That is correct.

Mr. BOGGS. Now, what is the increase on the fiscal year basis in the social security taxes this year?

Secretary FOWLER. I am not completely sure of the figures, but my understanding is it is at a \$6 billion annual rate beginning last Jan-

uary 1. That includes both categories of tax, employment, and medicare.

Mr. BOGGS. Taken all together, the budget estimate, the proposed expenditures, both civilian requirements and military requirements, the tax revenues of both expected and anticipated in this proposal, do you consider these measures anti-inflationary?

Secretary FOWLER. I think that they are anti-inflationary—to the extent that they move in any direction they move in the direction of restraint. Just to what degree that restraint will be, I think only time can tell. But they do definitely represent a move in that direction.

Mr. BOGGS. The determination of this balance is not an easy one; isn't that so? If you depress too greatly that is a problem.

Secretary FOWLER. I think it is always a very difficult judgment to make. I think the way I would probably summarize it is that we believe it is desirable to furnish some restraining influence against potential excessive economic exuberance, without harming the continued healthy growth of our economy. We must in our zeal to avoid inflation take care that in trying to prevent the disease we don't imperil the patient. At the same time, I think we all recognize that the most present danger before us, whose avoidance will require continued careful vigilance, is the danger of economic excess, not economic deficiency.

It is in line with that feeling that this particular budget has been designed.

Mr. BOGGS. What is the anticipated gross national product for 1966?

Secretary FOWLER. The range of estimates will of course vary. This has become a favorite economic exercise. The budget and the President's economic message will give the analysis of the Council of Economic Advisers and a judgment which I share. It will be in excess of \$720 billion, and I would say roughly in the neighborhood of \$722 billion. But at this period of time I think you have to take a range of \$5 billion on either side of \$722 billion because we are in a relatively uncertain period.

All that we feel and all that the various analysts feel, and I have talked to a great many of them over the last few months, is that the economy is quite strong, and that the rate of growth in the calendar year 1966 is going to be a very substantial one. With the fourth quarter of 1965 ending up, the economy going at a rate of about \$695 billion, the growth next year is going to be well up in the \$700 billion level. With the closing level for calendar year 1965 at approximately \$675 billion, a very reasonable estimate of \$45 billion more comes out at the \$720 billion figure that the President used in his state of the Union message.

Now it may well go beyond that. Or it could conceivably fall a little bit short.

Mr. BOGGS. In any event you are talking about something that approaches three-quarters of a trillion dollars; isn't that right?

Secretary FOWLER. That is right.

Mr. BOGGS. How does that compare with the gross national product during the height of the Korean war?

Secretary FOWLER. Well, Mr. Boggs, I don't have those figures before me.

Mr. BOGGS. Does Mr. Surrey have them?

Secretary FOWLER. I can supply them for the record. It ought to be supplied to you in terms of constant dollars in order to give you the right comparison, and I would prefer to supply that for the record.

(The following table was received by the committee:)

Gross national product in current and constant dollars, 1950-53 and 1964-65

Year	Gross national product (billions of dollars)	Gross national product (billions of constant 1958 dollars)
1950.....	284.8	355.3
1951.....	328.4	383.4
1952.....	345.4	395.1
1953.....	364.6	412.8
1964.....	628.7	577.6
1965 ¹	675.6	609.0

¹ Preliminary.

Source: U.S. Department of Commerce, Office of Business Economics.

Mr. BOGGS. Well, roughly, would it be 50 percent?

Secretary FOWLER. I would rather not be very rough about that estimate if you don't mind.

Mr. BOGGS. In 1950 and 1951 and 1952, the gross national product was a great deal less than it is today; isn't that right?

Secretary FOWLER. Well, let us take the year 1950. The figures that have been supplied to me show \$284 billion. That is \$284.8 billion. In 1951, they were \$328.4 billion, and in 1952, \$345.4 billion.

Mr. BOGGS. Mr. Curtis has just given me the figures prepared here.

Secretary FOWLER. In the constant price range, looking now at the economics indicators for December 1965, prepared for the Joint Economic Committee by the Council of Economic Advisers, in 1953 in constant prices, the total gross national product was \$413 billion. That figure translated now in constant prices for 1964, \$578 billion. It is estimated around \$609 billion for 1965.

Mr. BOGGS. Now, do you recall what the expenditure were roughly during the years of the Korean war?

Secretary FOWLER. In a rough way, I do, Congressman Boggs. I had the privilege, or misfortune, whichever way you look at it, of being concerned with the mobilization activities in late 1951 and 1952. My recollections are that the defense budget for the year 1950, which was just before we went into the Korean war, was around \$13 billion. It rose during the course of the Korean war to levels around \$50 billion. This, of course, was due to a number of factors, not only the character and magnitude of the effort involved in the actual fighting in Korea, but as you know, that also included a very substantial buildup of our Armed Forces, and our so-called mobilization base, because of the concern that that war might go into a major conflict of world proportions.

Mr. BOGGS. The expenditures so far in Vietnam have not approached that magnitude, have they?

Secretary FOWLER. They have not, Congressman Boggs. I would, of course, have to defer on any questions about the magnitude and nature of the defense expenditures to Secretary McNamara. I am not familiar with them in any detail.

Mr. BOGGS. That leads me to my final point, and I will yield, because there are more people here that would like to ask questions.

The point I am trying to make is that the expenditures for Vietnam while very high, are still considerably less than Korea.

The second is that the economic base of this country is very much greater than it was in 1950 and 1951 and 1952 and thereabouts.

Secretary FOWLER. There is absolutely no question about the soundness of both of those observations.

Mr. BOGGS. The base is very much greater than it was then and the analogies made between that situation and the present situation must, if they are accurate, take those facts into consideration.

Secretary FOWLER. Very definitely.

Mr. BOGGS. That is all.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Mr. Secretary, the gentleman's remarks conclude that the present circumstances are so different from those existing during the Korean war, that tax increases are inappropriate? Is that a logical conclusion to draw?

Let me ask you, Mr. Secretary, why we didn't have a midyear budget review? As is apparent even from the questions that the gentleman from Louisiana asked, the relationship of our action to the fiscal, monetary, and budgetary situation is of crucial importance.

Yet, we don't even have a midyear report—which we normally get from the Treasury shortly after Congress adjourns—to provide us with the fiscal and monetary facts concerning the current fiscal year.

Secretary FOWLER. Congressman Byrnes, I will make one observation on that, but I would like to get you an official answer from the Director of the Budget, either in the form of a letter or if he appears with me in connection with the later hearing that the committee plans.

My own impressions are that because the scale of the situation regarding Vietnam was in such a state of flux following the President's declaration to the Nation and the world on July 28 of the need and necessity for substantial buildup of our military operations in that area, it was felt—or at least my own feeling and I only speak for myself on that—to come forward with a midyear report, which usually comes about 5 to 6 weeks after the adjournment or recess of the Congress, would probably have added more to confusion than to clarification.

Of course, another factor that might have entered in is the fact of the President's illness as a result of his operation, but these are my own personal impressions. I would much prefer to have an authoritative answer to your question given by the Director of the Budget, because it is his function.

Mr. BYRNES. I sympathize with the difficulty that you have in trying to anticipate events, particularly the uncertainties relative to Vietnam. Your reason for the failure to provide Congress with a midyear budget review is that a state of flux existed in September and October. In fact, it seems to me we have just as much a state of flux today as we had then.

Secretary FOWLER. I think that is right.

Mr. BYRNES. I assume we probably have these same difficulties with respect to the budget. I gather, however, that the normal informa-

tion that would be contained in the midyear review will be contained in the budget message.

Secretary FOWLER. That would be my understanding; yes.

Mr. BYRNES. We will then have the fiscal 1966 picture in detail?

Secretary FOWLER. Yes; I am sure that is the case.

Mr. BYRNES. I would like a clarification of the philosophy underlying the recommendation. Last year we had a projected deficit, even without considering the tax reduction which was proposed. If my recollection is correct, without considering the tax reduction, the administration was recommending the deficit for fiscal 1966 was projected to be about \$3½ billion.

Secretary FOWLER. As to the projection, Congressman Byrnes, when I came up to testify at that time the figures were these: In the January 1966 estimate the budget deficit had been estimated at \$5.3 billion, but due to increased revenues that were observable, I think the figure I gave the committee last June was \$4.3 billion as of June 30.

Mr. BYRNES. That was when Congress acted, Mr. Secretary. I am talking about the recommendation for a tax reduction that was made in the budget message and the fiscal situation that then existed. As I understand it, when the budget was submitted last year, it projected a deficit of \$5.3 billion including the recommended tax reduction.

Secretary FOWLER. That is correct.

Mr. BYRNES. The estimate of the cost of the tax reduction for fiscal 1966 was \$1.8 billion, so without the tax reduction, you would have had a deficit, anyway, of \$3.5 billion.

Secretary FOWLER. That is right.

Mr. BYRNES. So when confronted with a \$3.8 billion deficit last year the administration recommended a tax reduction. Now you propose to increase taxes to reduce a projected deficit. As I understand it, this will produce enough revenue so that the deficit as projected would only be \$1.8 billion?

Secretary FOWLER. Yes, sir.

Mr. BYRNES. I want to clarify the philosophy underlying these two different approaches. I ask this because I understand the economists advising the administration have never been very concerned about deficits. Is this tax increase designed for the budgetary effect or for the anti-inflationary effect?

Secretary FOWLER. Both, Mr. Byrnes. To the degree that it has an economic effect, and we think it has some, although we didn't know how much—it is moving in the direction of restraint. It certainly is designed to avoid any additional stimulus at this time. Now, let us look back to January 1965. I won't go into this in any detail, because I was not associated with the Government at the time the budget was submitted last January; therefore, I can't speak fully about it. But the circumstances with reference to, let's say, the employment factor, were certainly quite different. The seasonally adjusted rate of unemployment in December 1964 was 5 percent.

As we look at the situation today, the December 1965 seasonally adjusted same rate of unemployment was 4.1 percent and it is assumed that this unemployment figure of 4.1 percent will continue to recede. Also, there is now and has been for some months a relatively high utilization factor in the use of effective or efficient productive capacity.

But I think the overriding consideration is that on top of this burgeoning economy we have the additional economic demands growing out of the special operations in South Vietnam and the uncertainties that tend upon possible expansions of those operations. With this combination of circumstances, it seems to me, and I think to all those in the administration, that the fiscal policy adopted ought to be one of certainly avoiding any stimulus, and in fact to the extent that there is movement, movement in the direction of restraint.

Mr. BYRNES. I was hopeful that this was the reason underlying the administration's proposals, although I would also hope that the administration would be concerned about deficits in themselves.

Secretary FOWLER. Speaking for myself, I certainly am.

Mr. BYRNES. These proposals are largely designed to reduce inflationary pressures, to lessen economic stimulations that can produce inflationary consequences. Why, then, ask for increases in taxes that we reduced only last year? Why wasn't some consideration given to repealing the 7-percent investment credit that was enacted to stimulate the economy?

Secretary FOWLER. Congressman Byrnes, I think it is fair to say that consideration was given to a broad range of measures, including the 7-percent investment credit, raising of individual rates and corporate rates, and others that could be mentioned. We tried to canvas the entire area. With regard to the investment credit, let me make a few comments without going into detail, although we did study it very carefully.

Mr. BYRNES. The reason I raise this question is because that's the one important provision in our tax code that is designed to produce a substantial stimulative effect on the economy; business is subsidized, not because of equities of tax law, but to encourage capital expenditures to stimulate the economy.

Secretary FOWLER. First, let me say the same thing is true of the reduction in the corporate rate. The first observation I would want to make is that one of the great advantages that we have now, and we will have in the period ahead, is the continued expansion of this Nation's productive capacity and a continued modernization of existing capacity and capacity that may be added. Therefore, I think we want to be very chary of restraining or holding back the enlargement of this productive capacity to meet growing requirements, whether they be for defense or for civilian use.

Secondly, tinkering with the investment credit, unless there was some very compelling reason for it, which I don't think exists today, would create uncertainties and would impair its long-range effectiveness. Moreover, if it were withdrawn from projects that were underway, this committee and the Congress would be confronted with questions of good faith with respect to companies that had projected new projects.

If, on the other hand, you went a long way toward avoiding removing the credit from projects underway and tried to have it hit sometime later, its impact might come in late 1967 or 1968 in view of the long-term nature of corporate expenditure planning. In this event, the effect might come just at the wrong time.

I could go into this in considerable detail in view of the nature of the problem, but just let me say that we were confronted by three

options, as set forth in the President's letter. One was to let the deficit stand at between \$6 and \$7 billion. Another was to change corporate rates and individual rates or impose new taxes, which would involve the committee in a good deal of discussion about who should finance the increased costs of military operations in Vietnam and how the burden should be distributed. The option we chose was to take advantage of policies that had already been fairly well established by legislation on the books or had been thought of as being desirable structural changes. Frankly, we admit it is a one-shot operation, but that was one of the very features that we felt was attractive about it.

Mr. BYRNES. There is nothing one shot about an increase in excise taxes. You can always repeal it.

Secretary FOWLER. As far as that one is concerned, I want to make a specific comment. The Congress had already adopted a policy of graduated removal of the passenger car and the local and long-distance telephone tax. Therefore, it didn't seem to us to be a very substantial departure from that principle of a graduated removal to stretch out the graduation, so to speak, for a specified 2-year span. We tried to bring up a package of proposals that would, frankly, involve this committee in the minimum of difficulty to get the changes made as quickly as possible and have the revenue and economic effects, whatever they were, to begin to work as soon as we could.

Mr. BYRNES. Do I understand then that it is your idea and that of the Treasury that the investment credit should be a fixed part of the tax law? Anyone who makes a capital investment is automatically going to be permitted to depreciate the full cost of that equipment, and also receive an additional subsidy of 7 percent?

Secretary FOWLER. Yes, I think, Congressman Byrnes, that certainly would be my own attitude. I realize that none of the provisions in the law are unchangeable, like the laws of the Medes and Persians. They are all subject to change. But my own response would be that I hope we could meet the problems that we have now, and the problems with which we may be confronted by temporary changes of a passing nature that will be coincident with the hostilities in Vietnam, without tinkering with the long-term structure of our tax laws.

Mr. BYRNES. I am not suggesting that you tinker at any time. I merely suggest that when we start worrying about an overstimulation of the economy that some consideration should be given to a tax provision that was put on for stimulation purposes. I don't know that I appreciate the idea that this suggestion represents tinkering.

Secretary FOWLER. I think that in addition to the stimulation effect, which was one of the considerations, there was another, and perhaps a more basic consideration, that attaches to the investment credit. From a long-term structural standpoint, wholly apart from cyclical considerations, it was desirable to have a feature of our tax law which encouraged additions to productive capacity and continuing modernization of industrial capacity in view of the problems of international competition and in view of the fact that the existing setup had been marked by a rather, you might say, stalled industrial capacity. Plant and equipment expenditures had been pretty well stalled at a given level for a number of years. It was felt that this was a structural condition and that something ought to be done of a permanent and en-

during nature that would encourage the results that I think we have achieved.

Mr. BYRNES. I think a review of some of the arguments that were presented to this committee by the then Secretary of the Treasury, Mr. Dillon, and the existing economic conditions upon which he based his support of the 7-percent credit, will demonstrate that these indicate those conditions have changed materially. The need to encourage modernization and economic stimulation, and the other factors that led the committee to adopt the proposal, are not paralleled in the current economic picture.

There is one thing that I am not sure of, whether this is a typographical error or what, but let's clarify it because there are two paragraphs. There is apparently an error—probably typographical—in the letter from the President, Mr. Secretary. There is a paragraph in that letter that says:

Our present estimates for Vietnam will add \$10.5 billion to the amount originally estimated for this purpose last January—\$4.7 billion to fiscal year 1966 and \$5.8 billion to fiscal year 1967.

Secretary FOWLER. Yes.

Mr. BYRNES. In your statement, however, you say:

The main fact is that increased special costs associated with Vietnam will add \$4.7 billion in fiscal 1966 expenditures and \$10.5 billion in fiscal 1967 over the amount originally estimated in the estimate last January.

Secretary FOWLER. Yes. I think I can clear that up.

Mr. BYRNES. You substituted 10.5 for 5.8.

Secretary FOWLER. Yes. In the White House release you have in front of you containing the President's letter to Chairman Mills, I am told that there was a typographical omission of the word "another" which should precede \$5.8 billion, so that it would read, "\$4.7 billion to fiscal year 1966 and another \$5.8 billion to fiscal year 1967."

Mr. BYRNES. That makes the figures consistent.

Secretary FOWLER. Thank you very much. It helped me to get it corrected, too.

Mr. BYRNES. Let me make one more inquiry, and then I want to yield to the other members. In the corporate speedup proposed, I think we have to recognize the fact that the committee, when it established, in 1964, the schedules advancing the payment of corporate taxes to a current basis, designed the provisions to insure that the corporations would not pay a higher tax rate in a given year than they would have paid if there had been no corporate tax reduction. That was a fundamental consideration impelling the committee to establish the schedule on a postponed basis.

Isn't it true that under your proposal, however, corporations in some of these years will be paying more taxes than they would have paid before the tax reduction?

Secretary FOWLER. Yes; they will. More taxpayments will be made in the years 1966 and 1967 and that is reflected to some extent in table 4-B, on page 30, for example, of the committee print on tax recommendations of the President.

The comment I would like to make on that is this. At the time the committee had in front of it the Revenue Act of 1964, and in its deliberations on the corporate acceleration provision that was included in that law stretching it out over a 5-year period, the committee, I think,

was conscious of the fact that it did not wish to run the risk of restraining the growth and development of corporate expansion plans and modernization plans.

Mr. BYRNES. We wanted to be able to tell them too that we were giving them a tax reduction too.

Secretary FOWLER. That may have been in the picture, but, in any event, there was an economic reason for stretching out over the 5-year period so as not to take any chance on inhibiting the very growth that the act was designed to encourage.

Now I think the situation is quite different. The comment that I would make is that to the extent payments under the proposals in the years 1966 or 1967 would be in excess of 100 percent and have an economic effect, and we think it will have some, it would be favorable in terms of the general economic setup which we are currently facing.

In other words, it would be a mildly restraining effect which would be welcome. Looking at it another way, should the war in Vietnam conclude and hostilities there abate, let's say in the next year, just to take a date, for example, the next 2 years, or whatever, the fact that the corporations had become current in this particular period would be in a sense an advantage because at that time we would probably be concerned that the volume of economic activity be wholly adequate and not subject to the type of restraint that would be welcome today.

Mr. BYRNES. Under this speedup between April 15 this year, 1966, and June 15, 1967, there is going to be an increased payment by corporations of about \$3.2 billion; is that correct?

Secretary FOWLER. Yes, sir.

Mr. BYRNES. Where will the corporations get this additional money? They will eventually get it out of profits, but where are they going to get the money to pay the current bill, the advance payment?

Secretary FOWLER. It will vary with a given company. As you know, this provision affects only 16,000 companies, those companies whose taxes are more than \$100,000 in a given year. It has become the business practice of a large number of companies to accrue on their books and in their assets funds against actual tax liabilities. These funds are placed in the money market in various instruments so that they will be available at the time when the tax becomes payable. Treasury bills, CD's, and other things, for example, are a favorite form of investment by treasurers for this purpose. Therefore, in a sense, a great number of companies already have the monetary means at hand to meet these requirements.

The move up this year from 9 to 12 percent is a much more graduated move than the move next year, which would go all the way from 14 to 25 percent; so in a sense the first step is a short one. The second one is the major one. However, there will undoubtedly be many companies who would find it necessary to go into the money market in order to meet the tax bills and carry on their plans for expansion and modernization which require additional expenditures. I think in those cases the managements of those companies probably would, as I indicated in my statement, review the requirements that they have in their current schedules and determine whether any of them are sufficiently marginal so as not to justify going forward under these

circumstances, or, alternatively, finding that they do want to continue with their plans. This type of borrower does not typically have much difficulty in raising the funds that would be necessary.

Mr. BYRNES. Mr. Secretary, I was trying to determine where the economic pressure will be generated when the corporations have to find \$4 billion in the next 15 months, from April 15, 1966, to June 15, 1967. I understand that quite a number of them buy anticipation certificates from the Treasury. I wonder to what degree the sale of bonds will be reduced because instead of buying the bonds they will be paying their tax currently? What effect is that going to have on your bond sales operations, because we are talking about \$4 billion?

Secretary FOWLER. Yes. I would like to add something to what I have said in order to give you a rounded picture. While it will mean, of course, as you say, that a number of companies will have to go into the market to borrow, or looking at it the other way, not to buy tax anticipation certificates, it also means that the Treasury will have lessened borrowing requirements approximately equal to the revenues that come in. Lessened Treasury borrowing requirements will therefore tend to some extent to offset the pressures that will be created on the market, perhaps not entirely, but to some extent. If the alternative to the tax speedup is increased Treasury borrowing, and assuming the same monetary posture in either case, I think we would argue that the increased Treasury borrowing would create a different set of pressures on the money market. If you had the larger Treasury borrowing rather than the larger corporate borrowing, there would probably be very little impact on the market for tax anticipation notes, but the effect would be concentrated more on the areas that are typically sensitive to monetary stringencies, such as housing, State and local bonds, and borrowings of smaller concerns.

Mr. BYRNES. You are getting into the area that I am interested in, and the point is what does this do? Will this result in additional pressure for borrowing? Although there is an offset factor, what does this do as to your pressure on interest rates?

Secretary FOWLER. I think that when one takes into account the offset factor, the fact that by getting increased revenues to the Treasury we have in a sense dollar for dollar less need to go into the market, there probably isn't going to be—

Mr. BYRNES. A different part of the market, the point you just made.

Secretary FOWLER. Yes.

Mr. BYRNES. The other part is where everybody else goes, is it?

Secretary FOWLER. That's right.

Mr. BYRNES. What will this proposal do to interest rates in those areas?

Secretary FOWLER. Where the companies do not have their cash accrued in various forms, it may increase some pressures in that market.

Mr. BYRNES. We know, don't we, that some of this money is certainly going to be borrowed?

Secretary FOWLER. Yes.

Mr. BYRNES. This \$4 billion in order to pay the speedup.

Secretary FOWLER. I would only observe that the pressures that would be created are of the same order of magnitude as if the Treasury

had to go into the market to borrow. There would be roughly, I think, the same quantity of pressures, but it would be in a different sector of the economy, the ones I have mentioned, housing, State and local borrowings, and small business.

Mr. BYRNES. Of course, you don't wash things out where you apply pressures at different points. One point will be relieved, but at another point you will have a heavier pressure. I am interested in both of these features. You are reducing the pressures as far as your Government borrowings. Does that mean that we are going to be able to live with the $4\frac{1}{4}$ percent interest—the statutory ceiling—that you have just announced as applicable to series E and H bonds? May I suggest to you that maybe the ceiling should be lifted. I would say I think it should. I don't know whether you are going to.

Secretary FOWLER. I would prefer to defer my answer to that question until I have to come back up and discuss the debt limit problem with the committee. I may have to come up before, but we have not yet made up our minds exactly on what the requirements will be in that sector and just how we will met them.

Mr. BYRNES. Are you selling anything at discounts to avoid the $4\frac{1}{4}$ percent?

Secretary FOWLER. No, sir.

Mr. BYRNES. One thing I suggest very friendly, Mr. Secretary, is that I think there is some danger in waiting to take necessary action until an emergency exists in a sensitive area like interest rates. We ran into that situation one time before.

Secretary FOWLER. I agree.

Mr. BYRNES. We weathered it, but it does become a difficult problem. If you anticipate any difficulties, I think there ought to be a recommendation for giving you more leeway to respond to future conditions. As you have said, the future is rather uncertain right now.

Secretary FOWLER. Yes; the situation is certainly receiving, and has been receiving over recent months, very close attention, and I do expect to be in a position to give you a much more responsive answer to that question at some not too distant time.

Mr. BYRNES. Mr. Chairman, I do have some other questions, but I will yield.

The CHAIRMAN. Mr. Keogh?

Mr. KEOGH. Mr. Secretary, I direct one question to Secretary Surrey, and it is this: Is it reasonable for one to assume that your proposals with respect to the self-employed social security taxes are a prelude to a more enlightened attitude on the part of the Treasury to the tax status of the self-employed generally, including their right to set up adequate and reasonable retirement plans?

Mr. SURREY. Mr. Keogh, I think that the matter you refer to stands on a separate footing and should be considered separately from the particular matter before the committee.

Mr. KEOGH. I have a recollection that I think it was last September, if not October, the Department was under a mandate from the committee to be prepared to discuss that subject generally early in January. I don't know what "early in January" is, but I suspect that we are at that point, if not beyond it.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Curtis?

Mr. CURTIS. Mr. Secretary, first I would like to get a housekeeping item out of the way. Has the Treasury developed legislative language for these proposals?

Secretary FOWLER. We have been working with the staff of the committee on that subject. We have not completed it, Congressman Curtis, but substantial work has been done and it will not, I don't think, as far as the technical side is concerned, present any great difficulties after the committee has reached some conclusions.

Mr. CURTIS. The reason I ask is, I think in fairness to public witnesses and all the witnesses from the general public, that whenever we can have the technical language it is valuable, and necessary, really. I hope that it will be available.

Certainly if you are interested in speed on this, this technical language ought to be available as soon as possible and made public so that the people who testify before this committee have the opportunity of dealing with specifics. I have made these points over a period of years, and I really regret the tendency we have had to start our hearings on generalities, without having the technical language, or suggested language, because, of course, we will change it, but at least suggested language so that we are talking about specifics. So much depends, as you know, of course, on the technical language as to whether we actually achieve one objective or might achieve another.

So I hope that we don't go through just generalities even in this area, which isn't too complicated, I would say, to put these suggestions that you have made in this kind of language.

The other point is this. I think it is very distressing that we don't have available at this time the Economic Report which, according to the statute, is supposed to be available on January 20, or the budget. I do know that you are coming back, as I understand the announcement of the chairman, that you are going to reappear before this committee when these documents are available. Am I correct?

Secretary FOWLER. That is correct. That is my understanding.

Mr. CURTIS. There was a colloquy on the floor of the House yesterday and I engaged in it, or the day before, with respect to the delay of the Economic Report. I know it is available and much of what Congressman Boggs was asking you about, of course, relates to that. Maybe, though, we can get a few of the general specifics here.

What are your estimates of total revenues for fiscal 1966? First, let me get the first one. What was the last estimate you gave us? You gave us an estimate in the budget of last year of around \$95 billion, as I recall.

Am I correct? Let's see what your January 1965 figure was.

Secretary FOWLER. I think the original estimate for fiscal 1966 in the January budget last year was \$94.4 billion.

Mr. CURTIS. \$94.4 billion. What adjustment figure did you give us in June at the time we had the excise tax repeal before us and the debt ceiling?

Secretary FOWLER. I am not completely positive as to the time before the committee, but my notes indicate that as of June 30, 1965, there was an official announcement that the estimate of revenue was \$95.4 billion.

Mr. CURTIS. Very good. Now, Mr. Secretary, what is your estimate at this time of revenue in fiscal 1966 without this proposal, first, and then we will add that?

Secretary FOWLER. I don't believe those figures are yet out, Mr. Curtis.

Mr. CURTIS. I know it. That is why I am asking.

Secretary FOWLER. I think if you begin to ask me for a lot of figures that are in the budget that will come out on the 24th I would much prefer to be responsive to that line of questioning when the budget is officially out. I have tried to confine myself in comments here to the figures that were publicly available.

Mr. CURTIS. I can easily understand why you wouldn't want to comment on the figures that are not within the jurisdiction of the Treasury Department, but in regard to the estimates of revenue for fiscal 1966, you have given us what you think the increases are going to be. Now surely you can disclose that figure. I would ask you again to give us the figures.

Secretary FOWLER. I would say quite reluctantly that the estimate under present law, without any of these changes, would be in the neighborhood of \$99 billion.

Mr. CURTIS. \$99 billion. I am looking at our indicators for December previously referred to prepared by the Council of Economic Advisers, and we are talking about the administrative budget, of course, and not the trust fund.

Secretary FOWLER. Yes.

Mr. CURTIS. The figures for the first quarter of fiscal 1965 were \$122.2 billion.

Secretary FOWLER. You mean fiscal 1966.

Mr. CURTIS. I beg your pardon; fiscal 1966, and if you subtract from that \$25.5 billion of social security, et cetera, that is \$96.7 billion.

Incidentally, that was a decline of about \$2 billion from the last quarter of fiscal 1965. I am reading from page 37. I am just trying to get in mind where these increased estimates come from, jumping up from a figure on June 30 of \$95.5 billion and also a \$94.4 billion estimate in January to where we are \$99 billion, and that was absorbing the then unanticipated full excise tax repeal because in the January message you did not contemplate the full extent to which Congress went on excise taxes; right?

Secretary FOWLER. Of those that would be effective, I think the amounts that would affect the period you have under discussion were contemplated by the President's proposals. It was the addition of the additional five points to the automobile tax which came later that would be involved.

Mr. CURTIS. That is correct. At any rate, it is \$99 billion; and so, with this additional revenue of \$1.2 billion in this proposal, we will get up to \$100.2 billion.

Secretary FOWLER. I said "in the neighborhood." I think you would say roughly \$100 billion.

Mr. CURTIS. Yes. I am just trying to figure whether or not, and this is a question I would ask because this becomes a very basic question; you would have to come, even with this bill, before the Congress and request an increase in the debt ceiling. Isn't this within your contemplation?

Secretary FOWLER. As I have indicated in a related question on the matter of handling the debt management problem, we will be making some new estimates of the situation as regards the debt ceiling and be

ready to present them to the committee in timely fashion in dealing with both aspects of the problem.

Just let me say that insofar as the ceiling is concerned, both the expenditure and the revenue estimates are substantially up from the figures that we discussed when I was here last spring.

Mr. CURTIS. That is correct.

Secretary FOWLER. But the cash projections have been working out fairly close to estimates. I am told by my colleagues that in that area, for example, on January 13 we had estimated debt to be \$322.8 billion. The actual figure for January 15 was \$322.1 billion, some slight difference. But I don't have that complete picture organized, Congressman Curtis, in any way so as to give the committee an enlightened view of what our debt ceiling problems will be (a) without this bill, and (b) with this bill.

Mr. CURTIS. I think that is a judgment the administration, of course, has had to make, and this committee is being asked, relating itself to only one aspect of the problem, to render judgment. Of your three fiscal choices, a mixture of reducing expenditures, increasing taxes, and increasing the marketing of Government securities, this committee, of course, knows that we can finance the increased expenditures through increased taxes, or a combination of that increase and increased debt, and when we get into this business of the economic consequences of trying to market additional debt, we have to relate those to the economic consequences of the increased tax.

I am sure the administration, in making this proposal, has gone through that exercise and yet here the administration is still not ready to give us the benefit of its working papers so that we can zero in on the same problem.

Secretary FOWLER. We did not in this consideration make a determination, in any way, in terms of whether we would have to come back for a request for a ceiling change.

Mr. CURTIS. But you surely know this. You have some idea of how much you are going to finance this Vietnam war and its potential through increased taxes and how much through increased sale of Government securities, and I want to know what your estimates are. I just don't believe that this is proper for the Executive to make these major judgments without giving the people's representative, the Congress, and the people the benefit of what you have decided.

How much do you plan on financing these expenditures through increased debt and how much through what you are requesting here, increased taxes? Can you tell me what the balance is?

Secretary FOWLER. In 1967, instead of financing a deficit of \$6.6 billion through debt financing, we have made a judgment that it is preferable to finance a deficit of only \$1.8 billion, and that is one of the reasons why we have asked for the measures that are before the committee.

Mr. CURTIS. So there is the differential we can direct attention to.

Secretary FOWLER. That is correct.

Mr. CURTIS. The \$1.8 billion. Let me go to a specific that just occurred. The President has just increased the interest rates on E bonds.

Secretary FOWLER. Yes, sir.

Mr. CURTIS. What was the purpose behind that, particularly in light of the President's expressed concern and your expressed concern about increasing other interest rates in our economy?

Secretary FOWLER. Congressman Curtis, at the time the increase in the discount rate was announced, the President stated publicly that—

The action has already been taken. Under the circumstances, I will continue to do my best to give the American people the kind of fully coordinated, well-integrated economic policy to which they are entitled, which has been so successful for the last 58 months and which I hope will preserve the price stability so necessary for America's continued prosperity.

Mr. CURTIS. I heard that.

Secretary FOWLER. And in the press interview that followed the visit of Chairman Martin and myself and others in the administration with the President followed the Fed action, the President said in answer to a question:

I am not here to discuss post mortems. I am here to talk about how we can make this country better in the next year.

I say that in a preliminary way to saying that in our planning the overall program that is encompassed in the President's budget, which includes these measures, we have taken as a benchmark the action taken by the Fed. We have gone on from there and accepted that as a part of the current situation and tried to plan and develop our programs in coordination with that action taken by an independent body responsible to the Congress.

Mr. CURTIS. Yes.

Secretary FOWLER. And in connection with that, we naturally will have to adapt other features of our program, such as the savings bond program, to the realities of the situation that develop as a consequence of that particular action.

Mr. CURTIS. Of course, the Fed is pointing out that they were simply taking into consideration what was occurring in the economy. I regret it very much that after you made some speeches criticizing this action you weren't available to the Joint Economic Committee when we held hearings in early December and tried to get into some of these factors with the Fed, because one of the points made was that it was necessary to do this to help the Treasury be able to market its bonds realistically and, as I understand it, you were having difficulty in marketing some of your securities.

Am I not correct in that?

Secretary FOWLER. No; we have not had difficulties in marketing our securities. The market has, of course, been subject to a lot of change, but I think you are anticipating our appearance before another committee, the Joint Economic Committee, where we will be glad to discuss this situation.

I will only say for myself that there was no reason presented by the Treasury to the Fed that it was necessary for the Fed to act when it acted out of deference to our debt management problems. On the contrary, I indicated that there would be appropriate time to reach these conclusions in a coordinated fashion between the time of the President's state of the Union message and the economic report when it would not interfere with Treasury debt management planning. I will go into that in great detail with you, sir. I didn't come prepared to do it today.

Mr. CURTIS. No I appreciate that, but what I am pointing out is that this problem in the field of debt management is before this committee now and this is one of the things we have to dig into in order to understand whether you are, in our judgment, at any rate, asking for the right balance in increased taxes. Maybe taxes should be increased more, but at least we should know these things.

Secretary FOWLER. I think, Congressman Curtis, the question is squarely presented to this committee, as it was presented to us, as to whether it would be preferable to come to the Congress with a proposed budget which had contemplated a deficit of \$6.6 billion or a deficit of \$1.8 billion. We made a decision and made these proposals—preferring the tax changes proposed rather than the deficit.

Mr. CURTIS. Exactly; and I am trying to examine into your working papers, and one of the things to try to look at is what are the debt management problems with respect to the Federal Reserve, which assist you in these things but also has the responsibility of making monetary policy. We have had this over a period of years where you have sometimes a conflict between easing the problems in debt management in order to be able to be more flexible in monetary policy.

This committee, having one aspect of this, I think has to review the working papers and get into this discussion. I am simply trying to do this in a preliminary fashion without having the necessary data available. This committee, in my judgment, will be very interested in the dialog that goes on in the Joint Economic Committee.

I regard it as tragic that we didn't start zeroing in on this problem when we should have back in December when this was an issue and we could have understood these things, because you certainly made speeches about it, but you didn't use the forum of a congressional committee with the opportunity for us to interrogate you to give us the knowledge of what the arguments were pro and con. This is my criticism.

Secretary FOWLER. I did not refuse or decline any invitation of the committee to testify.

Mr. CURTIS. I know you didn't, because the committee, contrary to my full understanding, didn't ever issue a formal invitation, but then we put it to a vote and I might say it was because the White House made the decision—I make that as a statement without being present—not to have you appear and to avoid the embarrassment of the committee asking you, and the Chairman of the Council of Economic Advisers, and the Director of the Budget to come forward.

However, it didn't stop the Director of the Budget, or yourself, or the Chairman of the Council of Economic Advisers from making public speeches, public statements, on this matter.

Secretary FOWLER. Mr. Curtis, I think you will find that following December 6—I will be glad to give you the copy of the one speech I made—I made no comment on the action other than what is contained in the press conference that was held at the ranch that I referred to. I will send you a copy of the one speech I made, which indicated only a tangential comment on one aspect of the broad question of the relationship of interest rates to our balance-of-payments problem, and I have made no public comment until this day.

I have not been going around the country making speeches about the Fed action since it occurred. I have tried to work, and will continue

as I always did before, in a fully coordinated fashion with the Federal Reserve Board. The comments that I had to make I made before the action taken, both publicly and privately.

Mr. CURTIS. The tragedy, and I emphasize I think it is, is this. Here is this very difficult economic problem before the country, and the congressional committees are still without the necessary information on which to register their judgment. This is the thing that I think is unfortunate, whatever the circumstances are, and even in beginning these hearings here today we still don't have this information.

The budget message has been delayed. The President's economic report has been delayed, so we still can't zero in on the problems and must just make assumptions.

Secretary FOWLER. May I say again, if I haven't been clear on this point with the committee, that the proposal here accepts the action taken by the Fed in early December as a fact of life. We have attuned our program in a coordinated pattern to that fact of life. Therefore, in asking the committee to act on this program we are in no way involving the committee in any rehash of the circumstances that led to that decision.

Mr. CURTIS. That is true, but the Fed was pointing out, and I think we all agree, that they, in turn, were reacting to what they thought were the economic forces at play in the society.

Secretary FOWLER. I am sure that is the case.

Mr. CURTIS. And these forces are still there, and this is a continuing thing.

Secretary FOWLER. In terms of the particular question that is before the committee, the desirability from any standpoint of these tax proposals, which would reduce a deficit that otherwise might be projected at \$6.6 to \$1.8 billion, and thereby relieve the Treasury of the necessity of going into the market for these additional funds, and other aspects of the problem, I would be delighted to have the committee ask Chairman Martin his opinion about them.

Mr. CURTIS. We will, of course, have to ask him. When you gave the figure, in answer to Congressman Boggs, of anticipated GNP of \$720 billion, was that an adjusted figure for the cost of living increases?

Secretary FOWLER. First, let me say in mentioning \$720 billion, which is the figure used in the President's state of the Union message, I don't mean that is a hard figure.

Mr. CURTIS. These are estimates.

Secretary FOWLER. It is a range; \$722 billion up and down is the figure I have mentally used in dealing with this problem. That figure, as those estimates always do, assume some deflator element.

Mr. CURTIS. With respect to the implicit price deflator, just looking at it to see where we are in December, the latest December figures—I have to use the latest quarter reported. From the third quarter of 1964, 109 to the third quarter of 1965, 111.1, the deflator has gone up 2.1 points.

If you multiply that out you have over \$14 billion that comes out as simply inflation. The things that bothers me is the Consumer Price Index, which lags, is up about 1.7, but the Wholesale Price Index, which had been stable over a period of time, is up 3.4 points. This, to me, is the factor that concerned the Fed. It is a factor that this administration, if I may say so, I think in the President's mes-

sage, has sort of swept under the rug, and a factor even in your speech, is minimized. It is only a matter of emphasis, Mr. Secretary, and I know you wouldn't use my figure of speech, but I am trying to get across my views for emphasis here.

You mentioned inflation, but you don't emphasize inflation. To me it is a matter of emphasis, with these figures that I have given you, and increased interest rates resulting partly from this is one of the basic underlying factors of this problem you present to this committee. I am sure in your consultations these factors carried a lot more weight than has been expressed in your paper.

Secretary FOWLER. Let me certainly second what you say, that it should not be interpreted as any lack of emphasis. As a matter of fact, the President in his message did refer to this factor. I had occasion yesterday, in connection with a talk, to give my own estimate of the situation, and I said this, which gives you, I think, an answer to your implicit question about where the emphasis is in my own thinking and in the administration thinking:

These measures, we believe, should furnish some restraining influence against any potential excessive economic exuberance without harming continued healthy growth of our economy, and we must in our zeal to avoid the onslaught of inflation take care, in trying to prevent the disease, that we do not imperil the patient. At the same time, we all recognize that the most present danger before us, whose avoidance will require our most wary and watchful vigilance, is the danger of economic excess, not economic deficiency.

I think that fairly expresses my own attitude.

Mr. CURTIS. Let me go over it just a bit, and I am not going to dwell on it further, but I want to say that if the administration's criticism of the Federal Reserve action had shown a recognition of these inflationary forces, then I would have felt differently about this emphasis, but I would say that the statements made were as if there were no such problems existing in the society.

Secretary FOWLER. Congressman Curtis, I don't think that is a fair reading of the speeches that you did refer to earlier that I made before the Economics Club in New York and the Executive Club in Chicago prior to the action.

In every one of these you will find a reference to the very factors that you, yourself, have mentioned here as being signals of real concern, drift up in the Wholesale Price Index and in the Consumer Price Index, and a continuing emphasis on the factors of concern. We were not shutting those out of our consideration at all. Indeed, we were emphasizing them in our consideration.

Mr. CURTIS. I think, of course, this is a matter of emphasis, but your very use of the term "drift up" to describe the Wholesale Price Index is indicative of what I am stressing. That is hardly a drift up, I would say, in light of what has happened, but this is the area of emphasis and perhaps the difficulty lies in the fact that the President, in making his criticism, said, "What is this going to do to building hospitals and building homes?"

Well, you are darn right that is a question, but what were the inflationary forces extant doing as far as building hospitals and building homes? I regard this in the nature of demagoguery and this is a double-edged sword. All I am saying is if we are trying to explain to our people the difficult problems that we face, we don't try to create an impression that those who raised these interest rates—and they

might have been in error in raising these interest rates to reflect what they thought were the economic consequences—had no concern for the welfare of our people, because we all have that.

This is probably why I am developing this point. I feel that the people of this country have been given an erroneous impression of these serious economic forces that I see, at any rate, and I now am pleased to hear you state them; they exist. Again, it is a matter of emphasis, but I won't dwell any further. If you want to answer that, go ahead.

Secretary FOWLER. Yes. I would, only in view of the fact that you brought the President into this in referring to his statement, ask that the chairman include the full text of the President's statement in the record at this point, because he did talk a good deal more about other aspects of the problem. He said:

I regret, as do most Americans, any action that raises the cost of credit, particularly for homes, schools, hospitals, and factories. I particularly regret that this action was taken before January when we will have before us the full facts on next year's budget—Vietnam costs, housing starts, State and local spending, and other elements in the economic outlook.

The decisions to be taken within the next few weeks by the administration will significantly affect the course of economic development. My view, and the view of the Secretary of the Treasury and the Council of Economic Advisers, is that the decision on interest rates should be a coordinated policy decision in January when the nature and impact of the administration's budgetary and Vietnam decisions are known. This view is apparently shared by three of the seven Board members.

The action has already been taken. Under the circumstances, I will continue to do my best to give the American people the kind of fully coordinated, well-integrated economic policy to which they are entitled, which has been so successful over the past 58 months and which, I hope, will preserve the price stability so necessary for America's continued prosperity.

Mr. CURTIS. Mr. Chairman, I would like to have that included in full in the record.

The CHAIRMAN. Without objection, the entire statement will be included in the record.

(The following statement was received by the committee:)

[From the Office of the White House Press Secretary (Austin, Tex.), Dec. 5, 1965]

STATEMENT BY THE PRESIDENT

The Federal Reserve Board is an independent agency. Its decision was an independent decision.

I regret, as do most Americans, any action that raises the cost of credit, particularly for homes, schools, hospitals, and factories.

I particularly regret that this action was taken before January when we will have before us the full facts on next year's budget, Vietnam costs, housing starts, State and local spending, and other elements in the economic outlook.

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The action has already been taken. Under the circumstances, I will continue to do my best to give the American people the kind of fully coordinated, well-integrated economic policy to which they are entitled, which has been so successful for the last 58 months, and which I hope will preserve the price stability so necessary for America's continued prosperity.

Mr. CURTIS. But this statement was heard all over the United States and the other side has not been heard.

Secretary FOWLER. Here is one that perhaps you haven't heard. At the ranch, in the press conference after Chairman Martin had appeared and answered questions, the question was addressed to the President:

Do you feel, Mr. President, you and Mr. Martin are any closer together in your views on this discount increase now?

The PRESIDENT. I think both of our positions have been clearly and fairly and accurately stated. As Mr. Martin has so well said, it is a matter of judgment as to whether you would act Friday, or next Friday, or next month, or whether you would act at all or not. We all recognize the Federal Reserve is a board of experts in money and marketing, and I make no pretense at being a monetary expert. Even the experts have a division of opinion, four to three, and we do have division all the time within the Government. One Cabinet officer may see one matter from one viewpoint and another from another, but there is one thing you can be sure; I believe the public is served by competent and dedicated men in the Federal Reserve, and the Treasury, and the financial agencies, fiscal agencies, of the Government, and we are going to continue to exchange views and express differences, and try to reach agreement and promulgate policies, and do what we think is best for the country.

This meeting has been very helpful, very fruitful. They always are. I am not here to discuss post mortems.

And I think that fairly reflects what we have done since the action was taken. We haven't indulged in a great deal of public discussion of what we consider an accomplished fact.

Mr. CURTIS. One final observation on this, and I would like to have this in the record at this point: It is a table in the Economic Indicators of December, as I had reference to that particular month, under Federal Finance, page 35. Under the subhead "Total, net budget expenditures" on a month-to-month basis beginning in fiscal year 1966 with the month of July 1965, I read, "\$7.2 billion," and then August, which usually always goes up a little bit, "\$9.0 billion," which together gives us \$16.2 billion.

Multiplying it out by 6, you see, you are at the level of annual expenditures which have been following, about the \$97 billion level, but then in September, which is the month where the amount usually goes down a bit, it went up instead to \$9.5 billion. That was the point when we had an indication that the expenditure policy of the administration changed greatly. It was reflected again in October figures, \$8.8 billion, and \$9.1 billion, in November. Now the admitted policy of the administration for the Vietnam crisis, and whatever else it may be, was changed. It was at this point, Mr. Secretary, that I think there needed to be a public dialog, and, as I understand, it was at this point that Mr. Martin, as soon as he saw these September figures, began talking with the Fed, and I think with you and the others of the so-called Quadriad, about the problem.

Secretary FOWLER. We had countless hours of exchange beginning in September, during October, during November. We met with the President on October 9 or 10, as I recall it, for a long and lengthy discussion.

I, as is my custom, met weekly and sometimes two or three times a week with members of the Federal Reserve Board. I spent a good deal of time with the Chairman during this period considering these facts.

Mr. CURTIS. One final area. Mr. Byrnes brought up this problem of the investment tax credit and why this shouldn't be the area to remove, and you gave an answer, and I will have to review it myself,

but I would like us all to review the basis on which this innovation was presented.

As I understood it, it was not on the basis of permanent tax policy. It was more along the line that many of the economists and the President's economists have been arguing there needed to be flexible fiscal policy. Here was an area, they argued, to exercise it in a period of a recession where there had been not the kind of capital investment necessary, that this indicated that investment should be stimulated.

If my understanding of the history of this is right, it would certainly seem that the administration ought to pay a great deal more attention than it has to the possibility of removing that stimulus to the economy.

Secretary FOWLER. Like many other matters, Congressman Curtis, involving history, there are different recollections.

My own recollection is that Secretary Dillon, before this committee, advanced the program as a permanent feature of our tax structure which he felt was necessary. Indeed, one of the concerns that existed at the time in the private community was that this might be just a temporary measure. In order to allay that concern and to give recognition to what we felt was a fundamental disadvantage in dealing with the problem of efficiency and competitiveness as, say, compared to the Western European countries and Japan, that the Treasury and Secretary Dillon consistently took, I believe, the position that this should be a permanent long-range feature of the system. That is my recollection of it.

Mr. CURTIS. I say I have to review it myself because I could have a misconception, but in light of this, if this is permanent tax law, and I very honestly felt that it was bad economics and bad tax law, and still do for that matter, but if we maintain this policy, I would do a little lobbying here to urge you to adopt its counterpart in the human investment field, capital investment in the training and retraining of human beings. Human beings are in competition with machines, and to equalize this preference given to machines and to put further emphasis on this great need of training and retraining by our corporations, by our industries, and most importantly in the private rather than the governmental sector, I introduced such a bill and am promoting it. I am very hopeful that your Department will look at it and have a report early to this committee.

Secretary FOWLER. May I just say that where various proposals, however meritorious and constructive they may be for the long term—and I don't want to get into a judgment on any particular proposals at this time—involving tax reductions in large amounts are before the committee this year, the Secretary of the Treasury is more than likely going to be strongly opposed.

Mr. CURTIS. Yes. I can see that, and that is why I am urging you to at least consider repeating the thing that is for the benefit of machines.

Secretary FOWLER. Benefit of who?

Mr. CURTIS. To repeal that which is for the benefit of machines. The tax credit is given for putting money into new machines. If you are not prepared at this time to do the similar thing in the amount of money put into capital investment of human beings, you should urge the repeal of the former.

Secretary FOWLER. I think that neither the Secretary of the Treasury nor the administration have any differences in view about the

importance of providing money for the training of human beings. You and I have been on the same side of that question for quite a long time, going back over a period of years. I think our differences, if there are any, will come as to the timing and the method of that particular provision.

Mr. CURTIS. I think that is a fair statement of most of our differences, and I wish the people of this country would fully understand that our differences and my differences with the administration and that of the Republicans isn't that we don't love human beings, because we do. We are trying to figure out how we best move forward to assist in developing our social structures in their behalf.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, would it be possible for you to return to the committee at 2 o'clock this afternoon? I am sure there are other questions.

Secretary FOWLER. Yes.

The CHAIRMAN. All right. Without objection, then, the committee will adjourn until 2 p.m.

(Whereupon, at 12:28 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Wilbur D. Mills, chairman of the committee, presiding.)

The CHAIRMAN. The committee will please be in order.

FURTHER STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY; ACCOMPANIED BY HON. SHELDON S. COHEN, COMMISSIONER OF INTERNAL REVENUE; AND HON. STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY

The CHAIRMAN. Mrs. Griffiths.

Mrs. GRIFFITHS. Thank you, Mr. Chairman.

I didn't really want to ask a question. I would like to thank the Secretary for his explanation of why he is retaining the automobile excise tax and the tax on telephones. I think it can only be likened to a little story I heard by Sam Levinson one time. He came from a large and poor family.

Mr. KEOGH. From Brooklyn.

Mrs. GRIFFITHS. They were having chicken legs with rice or noodles or something, and just as they were about ready to have lunch, the mother looked out and her sister was arriving with a large, poor family, so she turned hastily to her own children and she said, "Now, don't take a chicken leg. We are going to have to ask them to have lunch with us."

So when the family came in, all of them had lunch together and then the real shocker came. The mother cleared the table, came out and looked reprovingly at her own children, and said, "Now, those who wouldn't eat their chicken leg can't have dessert."

I might say that those who acted nice last year are getting a worse deal this year.

Thank you.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Secretary, in your discussion this morning with some of the other members, I think generally that we estimated that 1967 income would be about \$111 billion, while income in 1966 would be roughly \$100 billion, leaving an \$11 billion difference.

Secretary FOWLER. That is assuming these proposals should be adopted.

Mr. SCHNEEBELI. Yes. Of this difference, \$4.8 billion comes under the proposal, leaving about \$6.2 billion. Most of the remaining \$6.2 billion to be accounted for, I presume, comes from GNP growth and of this amount of the \$6.2, what percentage do you think might come from inflation?

Secretary FOWLER. I don't think that any given percentage can be computed as coming from inflation. Insofar as the estimate of GNP growth is concerned, of course, they do take into account the so-called deflator which is an economic measure of assuming a degree of price shift. I don't think we can break down the \$6.2 billion or \$6.1 billion, whatever it turns out to be, of increased revenue and say that x percent is due to inflation and y percent is due to normal, steady growth, because that would, in turn, involve the very difficult problem of defining just what is inflation and what isn't inflation.

Mr. SCHNEEBELI. Well, would you criticize my deduction? Congressman Curtis this morning said we had about a 2-percent increase in cost of living index. Two percent of \$700 billion is about \$14 billion, and 14 over 45 is about 30 percent. So if 30 percent of our increased gross national product is due to the 2-percent increase in consumer price index, would 30 percent of the \$6.2 billion be due to inflation?

Secretary FOWLER. I wouldn't so characterize it.

Mr. SCHNEEBELI. Well, wouldn't our increase next year, if it follows this year, in cost, \$14 billion out of the 45, be due to increased—

Secretary FOWLER. I don't think we have any problem in arithmetic here.

Mr. SCHNEEBELI. That is my 30 percent.

Secretary FOWLER. I think the problem is in the way you characterize it. I don't believe I would find that acceptable.

Mr. SCHNEEBELI. That is why I asked if you criticized my deduction. Wherein am I wrong?

Secretary FOWLER. I think I wouldn't go so far as to say that you are wrong. I don't think anybody could make a judgment on whether you could categorically say that you were wrong. I think the point would be what level of change one would characterize as being inflation?

We have always had, so far as I know, since the index has been kept, with breaks here and there, a gradual movement upward. Sometimes there has been a very, very sharp movement which can properly be characterized as inflation.

For example, in the first period from June 1950 when the Korean war broke out, until January 1951, I think the Consumer Price Index went up at the rate of something over 1 percent a month. Everyone, I think, would characterize that as being inflation. We had a considerable degree of inflation in that period.

On the other hand, economists, of which I am not one and I therefore don't qualify to debate these matters too much, but anyway,

there is quite a considerable debate as to whether or not the Consumer Price Index accurately reflects the change in price because it does not take into account changes in the quality of the product that may be purchased. So there is always a difference in view as to whether or not a 1-percent increase in the Consumer Price Index is inflationary.

I think, by and large, most of the academic economists would say "No." When you get up to a percent and a half or two percent, you began to get differences in view. Some would agree, I think, with your appraisal and characterize 2 percent as having elements of inflation. Others, when you take into account changes in quality and whatnot, while it is something to be very much concerned about, would hesitate to change action markedly.

My own view is that the 2 percent, if you want to characterize it as such, is, as I have said throughout the fall in both public and private utterances, the fact that the Consumer Price Index went up last year at a given rate—I think it was 1.7 at an annual rate during the months that I recall speaking about it——

Mr. SCHNEEBELI. That was in November.

Secretary FOWLER. That was in November. Whereas the average increase over the preceding 6 or 7 years had been only 1.1 or 1.4. I would have to correct those figures and get them accurately. But, there was a tilt upward in the level of increase if you looked at it on a month this year as against a month last year. This is a sign on which I think the country as a whole should take caution and be really concerned, and is one of the factors that has led us to come into this committee with the kind of proposals that we have here.

Mr. SCHNEEBELI. I know in trying to divide up \$6.2 billion into standard growth and inflated growth that we have variables, but there is some consideration in this factor in arriving at \$6.2 billion, I would assume.

Secretary FOWLER. There is.

Mr. SCHNEEBELI. Have these same cost-percentage increases gone into consideration of expenditures?

Secretary FOWLER. Oh, yes.

Mr. SCHNEEBELI. The same inflated costs have gone into expenditures as well as receipts?

Secretary FOWLER. I don't know what you mean "have they gone into."

Mr. SCHNEEBELI. Let's assume that there will be a 2-percent increase in GNP, a 2-percent increase in the cost of living, accounting for about a \$15 billion increase in GNP, accounting for more revenue on the part of the Federal Government.

Would this same increase in cost be reflected in increased expenditures?

Secretary FOWLER. We certainly have been concerned with it. Just to give you one particular—and I don't mean to be offensive in bringing up this one, but it is one that comes readily to mind. The increase in military pay enacted last year amounted to \$740 million per year more than was recommended in the President's budget last year. That has added a cost of \$740 million which has to be cranked this year into our expenditure estimates. So it is a factor, if you want to use the term. I would prefer to use the term "increased cost" on the expenditure side.

Mr. SCHNEEBELI. We are talking about an expenditures budget which actually doesn't come within the province of this committee and its activity at the present time. However, it is something to be considered, and I was just wondering whether this inflationary trend was considered on the expenditure side as well as the income side of the budget. It has been considered on the income side?

Secretary FOWLER. Oh, yes, indeed.

Mr. SCHNEEBELI. On the basis of our present tax rate structure, is there any correlation between GNP and the percentage of money that accrues to the Federal Government? For every increase of \$1 billion in GNP, do we get about a 10- or 15-percent increase in Federal revenues, or what?

Secretary FOWLER. It varies somewhat from year to year.

Mr. SCHNEEBELI. It used to be about 3 or 4 years ago it was up to about 20 percent, I believe.

Secretary FOWLER. What was that?

Mr. SCHNEEBELI. About 3 or 4 years ago, I think it was up to about 20 percent.

Secretary FOWLER. I don't believe it would be that high at present tax rates. The general range would be about 15 to 17 percent.

Mr. SCHNEEBELI. I think on this basis it would be less.

Secretary FOWLER. I don't follow you, sir.

Mr. SCHNEEBELI. Well, it is less than 15 or 17 percent, or it would be more than a \$6 billion increase. If we are going to increase our GNP by \$45 billion, about 15 percent would be up around \$7 or \$8 billion, if we anticipate an increase of about \$45 billion GNP.

Secretary FOWLER. \$47 billion is the figure I have.

Mr. SCHNEEBELI. If there is any correlation between the GNP increase and the amount of money that accrues, any percentage that we can figure must be less than 15 percent.

Secretary FOWLER. No; I don't think so. I would be glad to give the committee a statement on the way in which the additional \$6.1 billion or \$6.2 billion was arrived at.

Mr. SCHNEEBELI. I would like to have that.

Secretary FOWLER. And it does take into account both the expansion factor that you mentioned and the application of new experience with marginal increases in income that have become confirmed in our experience over the last year.

You will recall that here in the spring, in May and June, we underestimated the volume of revenue that we would receive and we found—really, it was an inexplicable factor—that we got considerably more revenue than we had anticipated. We have gone into a thoroughly detailed study of trying to find the reasons why, and some of the reasons why had applicability to the revenue estimate here.

Just let me say that my own estimates of revenue that bring us out at this \$6.1 billion or \$6.2 billion figure have been, as far as I could deal with it, based on conservative application of the rules and the experience that we had.

Mr. SCHNEEBELI. \$6.2 billion divided by \$45 billion is about 14 percent, I figured quickly here. Is that the relative correlation, about 7 to 1? For every \$7 billion increase in GNP we get \$1 billion in Federal revenue? Is this standard, or unusual, or what?

Secretary FOWLER. It is not unusual; no. You will find when I supply you with the complete technical analysis of the way the

figures are arrived at that we have followed the standard methods of computation, if anything tending to be on the conservative side.

Mr. SCHNEEBELI. It is so easy to conclude, "Well, our GNP will increase \$35 billion." Then one-seventh of that is \$5 billion for Federal income. I would like to know what relative figure we could use for the percent of GNP increase that accrues to the Treasury.

Secretary FOWLER. I think the most you can say is that the general range of estimate there would be somewhere between 15 to 17 percent. That is the range our experience has indicated.

Mr. SCHNEEBELI. I think the figure we are discussing here is 14 percent, which is close enough: \$6.2 billion divided by \$45 billion.

Secretary FOWLER. I think we got into a mathematical tangle here. I am not sure that the \$6.2 billion due to GNP isn't too low.

Mr. SCHNEEBELI. That is a difference between \$11 billion and \$4.8 billion; \$6.2 billion, isn't it? Of your \$11 billion increase, \$4.8 billion comes from the proposals in this legislation, and that leaves \$6.2 billion to come from elsewhere. It would have to be more than \$6.2 billion, surely.

Secretary FOWLER. Mr. Schneebeli, there is also an additional increase in fiscal 1966 due to these proposals.

Mr. SCHNEEBELI. Consideration of \$100 billion from \$111 billion is \$11 billion.

Secretary FOWLER. But the increase from one year to the next over these proposals is only about \$3.6 billion. I think you will find, if you go through the arithmetic, that growth in revenue due to GNP is closer to 7, or over 7 percent, and that is why the mathematics comes out closer to a 15 to 17 percent effective rate.

Mr. SCHNEEBELI. Well, we can get those specifically. Thank you very much.

Secretary FOWLER. I think we would prefer to prepare a specific statement treating the range of questions here because I am not able to give you a satisfactory answer in mathematical terms. I think there is somewhat a problem of communication.

(The following information was received by the committee:)

Change in receipts, fiscal 1966-67

[In billions of dollars]

Administrative budget receipts:

Total receipts, fiscal year 1966-----	100.0
Increase (+) or decrease (-):	
In tax receipts due to—	
Economic growth-----	+7.5
Acceleration of corporate payments under 1964 act-----	+0.4
Excise Tax Act of 1965-----	-1.6
Current tax recommendations-----	+3.5
Total change in tax receipts-----	+ 9.8
Miscellaneous receipt (nontax)-----	+1.2
Total change in receipts-----	+11.0
Total receipts, fiscal year 1967-----	111.0

NOTE.—The \$7.5 billion increase in receipts due to economic growth is 16 percent of the \$46.4 billion increase in gross national product from calendar year 1965-66.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, Jan. 25, 1966.

Mr. SCHNEEBELI. Thank you, sir.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Mr. Secretary, on page 12 of your testimony I notice you have the proposal with respect to the estimated tax to be paid in quarterly payments in April, June, September, and December. Shouldn't that be April, June, September, and January of the next year?

Secretary FOWLER. No; this is the same as present law.

Mr. BURKE. Have you moved that up?

Secretary FOWLER. That is the present arrangement; no change in present law. In other words, this is just continuing the date periods for payment used in the Revenue Act of 1964.

Mr. BURKE. I see.

Secretary FOWLER. Are you referring to individuals, perhaps, or the corporations?

Mr. KEOGH. These are estimates, not actuals.

Secretary FOWLER. The individual estimates are April, June, September, and January. The corporate estimates are April, June, September, and December. That represents no change as I understand it from the existing arrangements.

Mr. BURKE. Yes; that's right. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mr. Secretary, I just wanted to make an observation that you may or may not want to comment on. I don't think the average person is particularly interested in economic theories or understands a whole lot about inflation or GNP, doesn't even know what that is, or budgets or deficits.

If you get any criticism, I detect it is going to be that the Government, instead of tightening its own belt and its own spending, is going after the little fellow who is buying automobiles and using the telephone. That is what I deduct. I think it is well and good for us up here to hear these arguments, but I think the real core of it is going back to the man on the street who is going to be talking about it.

Secretary FOWLER. Let me see if I can be of some help in giving you some of the figures that I use in trying to deal with this comment.

I think the first figure is a figure which was contained in the President's letter, and I think was used in his message, and I quote:

Apart from the special cost of Vietnam, I reduced budget expenditures to a level only \$600 million above fiscal year 1966.

That is the context of his previous paragraph in which he said that the departments and agencies brought in a total request of \$130 billion, and the results of applying the budgetary processes are described. Apart from the special cost of Vietnam, he reduced that from \$130 billion to a level that was \$600 million above the fiscal year 1966 figure.

I would like to go back a little bit to get some figures in front of you which I think will be helpful. The original estimated expenditure level when President Johnson assumed his office for the 1964 budget was \$98.8 billion. The final budget as it emerged in 1964 showed that expenditures were reduced \$1.1 billion, to an actual \$97.7-billion figure.

All the members of the committee remember that because they were so much a part of our discussions at that time. Then, in fiscal 1965, the President estimated \$97.9 billion expenditures for the year that ended last June 30. They were, in fact, reduced \$1.4 billion from the original estimate to an actual \$96.5 billion.

Then the expenditure target for fiscal 1966, the year we are in now, was fixed last January at \$99.7 billion. Now, some \$4.7 billion of additional expenditures resulted from the accelerated military activity in Vietnam, and I think we would all agree they were unavoidable. In addition, some \$2 billion of uncontrollable or legislated expenditures also couldn't be avoided. These were, and I mentioned one of them to Congressman Schneebeli, \$740 million of military-civilian pay increases voted by Congress in excess of the Presidential recommendations, an additional \$500 million increase in veterans' pensions, a \$500 million increase in interest charges in the debt, and a half billion dollars of payments required because people had performed their contracts at a faster rate than expected in the space program, and another half billion dollars in the agricultural commodity program.

There had been some economies effected in the budget of this \$99.7 billion figure, but they were not sufficient to compensate for these uncontrollable expenditures. So when you add the \$4.7 billion of additional Vietnam expenditures in 1966 and this \$2 billion, you get up to about what the expenditure figure is going to be in 1966.

If you take this all together, and I address this particularly to those of you with whom we have talked about expenditure control a great deal through the years, had it not been for these unavoidable cost increases in Vietnam and the uncontrollable increases cited, amounting to \$2 billion, the President, in nearly 3 years in office, from November 1963 to June 30, 1966, would have held expenditures in the administrative budget to an increase of less than \$1 billion—the difference between the \$98.8 billion which was the estimated expenditure figure when he took over in fiscal 1964, and the \$99.7 billion which he would have achieved in 1966 had it not been for the contingencies I indicated.

Looking back over the 10 years preceding fiscal 1965, there was an average increase in expenditures of \$3 billion per year. So the President in nearly 3 years has held expenditure increases down to less than \$1 billion as against the the pattern of the past where expenditure increases had averaged \$3 billion a year.

To move on to this particular budget, except for the special expenses of operations in Vietnam amounting to \$4.7 billion over the original 1966 estimate, and the additional \$5.8 billion in 1967, and that is the more pertinent figure to this point, the President has only added \$600 million of additional expenditures in the entire remainder of the administrative budget.

These are complicated figures. The concepts behind them, however, are simple, and I think you end up with the conclusion that at least during the last 3 years when we have had tax bills before the Congress, and we have had these colloquies on the importance of expenditure control where there has been a good deal of exchange back and forth on that particular subject, I could say that this committee and the entire Congress could take note quite properly of the fact that at least in this one area the spirit and purpose that was put into section 1 of the Revenue Act of 1964 has been very clearly observed by the President and by the Congress taken together.

Mr. BETTS. I think what you said is impressive, and it is helpful. The only thing I am getting at is when a man sits back home and says, "How come you are going to raise my taxes on my automobile"——

Secretary FOWLER. I think you just have to point to Vietnam.

Mr. BETTS. I was going to say, I have to explain it in the simplest terms so he will understand it. I can't review the budget on the street corner back home.

Secretary FOWLER. Wars are very expensive things.

Mr. BETTS. So my answer to him is that we have to do this to prevent inflation and help finance the Vietnam war? Is that the simplest way?

Secretary FOWLER. That is exactly the way I would put it to him.

Mr. BETTS. Then what if he says, "Why don't you cut down the expenditure on other programs?" That is what they say to me.

Secretary FOWLER. I think when you have the budget in front of you—

Mr. BETTS. I won't have the budget in front of me.

Secretary FOWLER. After Monday, and when you have had a chance to examine it, you will find that there have been very substantial reductions in this budget. I am not as competent to discuss them with you as the Director of the Budget would be, but they will total up in reductions in existing programs and in old programs of about \$4.7 billion.

Mr. BETTS. \$4.7 billion?

Secretary FOWLER. Yes. There have been increases of \$5.3 billion in the new programs and others, but that is where the \$600 million comes out.

Mr. BETTS. I was only thinking of reducing it to its simplest terms for my constituents. Thank you.

The CHAIRMAN. Any further questions? Mr. Broyhill.

Mr. BROYHILL. Mr. Secretary, the proposal requires self-employed individuals to estimate their self-employed tax for social security. Is there no automatic refund of the overpaid amount as there would be if it were overestimated for income taxes?

Secretary FOWLER. Yes; the same return, I am told.

Mr. BROYHILL. Suppose that the self-employed individual, after having overestimated his income, would prefer to have all of the payments for the self-employed social security taxes kept in the trust fund so he could fall into Congressman Keogh's category of being a self-employed individual having a retirement plan. Could he keep it in the trust fund even though he did not earn that amount? It would have to be refunded to him; wouldn't it?

Secretary FOWLER. He couldn't keep it in the trust fund. Commissioner Cohen says he might credit it against next year's account. Is that helpful to you?

Mr. BROYHILL. You answered my question. It would have to be refunded? He could not keep it to his credit for retirement purposes?

Secretary FOWLER. That is right. He would have to claim his refund, as I understand it. He can't voluntarily overpay and—

Mr. KEOGH. Will the gentleman yield to me, Mr. Chairman?

Mr. BROYHILL. I will be glad to yield to the gentleman from New York.

Mr. KEOGH. I am hopeful that before too long we may make those plans more practical than they presently are and, therefore, he should be able to deposit in them funds whatever they might be—whether they be the result of overwithholding or anything else.

Mr. BROYHILL. Mr. Secretary, I thought you made a very excellent explanation in answer to Mr. Byrnes' question this morning about the

acceleration of corporate tax estimates. I apologize. I was interrupted by a telephone call during part of your answer, and I want to make certain that I understood just the effect of what you said.

Congressman Byrnes asked whether the \$4.2 billion yield consists of \$1 billion in 1966 and an additional \$3.2 billion in 1967, for a total of \$4.2 billion?

Secretary FOWLER. That is correct.

Mr. BROYHILL. His question was would that be a shock to the general capital situation of these corporations. I understood your answer to be that in most instances these are corporations earning in excess of \$100,000, and that they generally had the funds set aside in some form of trust, or certificates, or deposits.

Secretary FOWLER. They buy notes and similar instruments. Of course, it depends entirely on the individual company, Congressman Broyhill, but I think that the general practice, at least of a substantial percentage of the companies, is to treat tax liability as an accrual item and to earmark funds which are put into Treasury certificates or bills, or other money instruments, so they are readily convertible into cash and can be used to pay the taxes when they come due.

This is a method of corporate financial practice which I think is generally felt to be the commendable one, and they follow it. For the company that doesn't follow that particular practice, but still wants to have the funds to complete its corporate plans, it might be forced to go into the money market to get enough funds, borrow enough additional funds, to replace the funds that it would have to pay under the acceleration plan.

Looking at the picture in a rounded way is the fact that to the extent to which these tax revenues come into the Treasury, the Treasury will not have the need to go into the money market and borrow that amount. Its borrowing requirements will be diminished to the extent that these revenues are voted and come in, so that the overall pressure on the money market, the pressure as the colloquy with Congressman Byrnes developed will be somewhat different in different places, but the total pressure won't be much different.

Mr. BROYHILL. I might say your answer certainly makes sense. I see how a corporation would have to make some provision during the fiscal year for the inevitable tax consequences. Since most corporations have to borrow money to issue bonds of their own, are the funds that they set aside in many instances used as part of their operating capital? In that case, Mr. Secretary, would the 26-percent bite that the proposal takes in the year 1967, have any effect on the declaration of dividends?

Secretary FOWLER. I think it might. In the type of situations you describe, the management would review its portfolio of plans and projects and determine whether there are any of them sufficiently marginal that it is more desirable to push them over for a period of time. I would expect there would be that kind of review, and in given instances there might be a decision, "Well——"

Mr. BROYHILL. Did you take that into account?

Secretary FOWLER (continuing). "Let's drop off rather than borrow."

Mr. BROYHILL. Did you take into consideration the estimates of dividend income?

Secretary FOWLER. Yes; not in any precise way at all, but we generally recognized the problem and thought in those terms.

Mr. BROYHILL. Thank you.

The CHAIRMAN. Any further questions? Mr. Battin.

Mr. BATTIN. Mr. Secretary, in response to Congressman Byrnes' question on the investment credit of 7 percent, you made the point in your recollection that it might be considered breaking faith with the industrial community if this were not on a long-range basis.

Secretary FOWLER. I didn't mean to state with the entire industrial community. My point was that with those companies that had started projects the investment credit becomes available when the project is completed, not when it is initiated. Where decisions have been taken, commitments made, and work started, if then Congress said, "Well, now, you are not going to get the investment credit when you complete the project," there would be, I think, a feeling that they had been misled somewhat in initiating the project.

Mr. BATTIN. I appreciate the clarification. I believe in your prepared testimony this morning you referred to the changing of the withholding schedule as a one-shot operation; in other words, it will bring in money in the 1966 tax year. You also made comment on the war in Vietnam and didn't project this war beyond a year, and I hope you are right in your estimate.

With the revenues that you gain now, if the excise tax is put back, along with the revenues that will come in under the change in withholding schedules, be sufficient to carry on the war effort for more than a 1-year period. I am not trying to lead you into a trap situation, but would the administration be prepared at the end of 1 year, if the demands are still the same or approximately the same, to come back and talk about increasing individual and corporate income taxes to meet the necessity of our commitment in Vietnam?

Secretary FOWLER. Congressman Battin, as you recall, in the President's state of the Union message, after the comments on his tax proposals, he said:

I hope these measures will be adequate, but if the necessities of Vietnam require it, I will not hesitate to return to the Congress for additional appropriations or additional revenues if they are needed.

I think that the committee should realize that in presenting the proposals here today, we have, as the President's letter this morning to the committee indicated, considered the various alternatives, one of which was increasing corporate and individual income taxes. The other was just to take the deficit and let it stand, and the other to recommend the package proposals that you have before you.

We chose the latter, fully aware of the fact, as the President's letter later says, "If our needs in Vietnam require additional revenues, I will not hesitate to request them."

We did not want to, unless it was necessary, to get into the more troublesome and difficult questions of changing the income tax structure, both individual and corporate, unless it proved necessary. If it proves necessary, we would have to review all the alternatives again that would be available and come up with what seemed to be the proposal that was appropriate to the situation as we found it.

Mr. BATTIN. A change in the rate would be instant money, too, would it not? I think that is the way you described the change in the withholding schedules.

Secretary FOWLER. Perhaps it would take a little bit more time to get the addition resolved, I would suspect.

Mr. BATTIN. I don't think there is any doubt about that.

Secretary FOWLER. So this is, I hope, a little bit more instant money than would have been the case had we come up and decided how we would distribute the responsibility for financing the war among the various classes of taxpayers.

Mr. BATTIN. I would ask you to clear up an impression that I was left with when we were considering a reduction in or an elimination of excise taxes. If I can remember the economics that was given to me and the theory at the time why these should be reduced and how they would help the economy, I find myself now trying to rationalize what appears at least to be an inconsistent position.

In the President's projection of the near-balanced budget, near in present days at least, it was based on the fact that there would be an increase in the gross national product and that following that, of course, there would be an increase in tax revenue. What you are asking us to do, now is take out of the economy the money that was available for spending as far as excise tax reductions were concerned and by speeding up the collection schedule on personal and corporate taxes this money will not aid the economy. So last year I am told that the tax reduction is the way to increase Federal revenue and now it is being suggested that that wasn't right and we need instant money in tax revenue in order to get this near-balanced budget.

Secretary FOWLER. Congressman Battin, I think a lot depends upon the degree of the tax reduction that was involved last year. As you recall, the administration came up to this committee with a proposal that included, for example, only a five-point reduction on the automobile tax. The Congress at that time, and I will read from the Ways and Means Committee report dealing with the second and later stages of tax reduction. We haven't done anything about the first reduction. That all stands, as does the elimination of all the excises as of January 1. It is only these two areas where there is a graduated reduction.

The committee said in its report :

This second and later stages of tax reduction scheduled in the bill will help to sustain the rate of economic expansion required to prevent a rise in the level of unemployment.

Now, those were the circumstances presumably under which we were all moving at that time. When the President signed the bill at the ceremony that some of you attended, he said :

The only major change the Congress made, while I was pleased that the Congress saw fit to leave substantially unchanged my recommendations for excise tax reduction, 1965 and 1966, the only major change Congress made was the additional reduction in the automobile tax in later years.

I had recommended a five-point reduction in that tax and the Congress decided to increase this to nine points, but by postponing the additional four-point reduction, the Congress allowed time for possible modification if future developments should indicate that this should be desirable.

Then in another paragraph he said :

If we should find that the need for these purposes or the fiscal situation generally should require retention of more than the 1-percent tax on automobiles, there will be ample time for Congress then to consider our recommendations.

So, there was in your minds, and I believe in the President's mind, the concern with reference to the automobile tax and the telephone

tax, that it not all be done at once, but it be done on a somewhat graduated scale.

Mr. BATTIN. I don't think I had in my mind, nor I don't believe you had in yours, that it would be put all the way back. This is going to be known as the shortest temporary tax cut in history.

Secretary FOWLER. I beg your pardon. I believe it is only because of certain distortions that have crept into the early characterizations of the message. The 3-percent tax on automobiles that was eliminated last July is left untouched.

Mr. BATTIN. Thank you.

Secretary FOWLER. Only the taxes on automobiles and on telephones that were scheduled to go off on January 1, and did in fact go off on January 1, are being restored for 2 years, and that is the administration's request here. I want to be very clear on it. We aren't asking you to walk the cat back in any permanent way on the elimination of these two taxes along the lines originally enacted. We are asking that it be stretched out, and stretched out to specified dates.

Mr. BATTIN. We had a lot of temporary tax increases, but I think this one will go down in history as the first temporary reduction and it is very difficult to understand.

Secretary FOWLER. Why don't you just remind those people that come up with that that there are about \$20 billion of tax reduction that you didn't tamper with at this particular time?

Mr. BATTIN. Just one other question and that involves the speed-up on the collection of social security taxes. This was either in your statement or in some material that was furnished to the members of the committee prior to your appearance, emphasizing the fact that this money was going into a trust fund, and I was left with the impression that it would not in any way be used as part of the funds to carry on the programs that have been recommended.

Is the purpose for speeding up the collection of taxes in this field so that the Treasury, in its debt management problem, will have a source of funds available and will not have to go into the general economy for that money?

Secretary FOWLER. No.

Mr. BATTIN. What is the reason?

Secretary FOWLER. Well, to apply the same pay-as-you-go principle, with its advantages both from the standpoint of administration of the tax system and the taxpayer, to this particular segment of taxation on which it still is not applicable.

Mr. BATTIN. Then it is to be assumed that both the step-up in withholding on corporate and individual taxes as well as in social security is a policy change that would carry on after this point in time?

Secretary FOWLER. Oh, yes. We think these are very desirable permanent structural changes in the tax system and in that sense there is a double purpose to be served here. Of equally compelling importance is the fact that structurally we think the tax system as it operates, and as it is administered, will be improved by these steps for the long-term future and that the speedup, or the getting on the pay-as-you-go basis is occurring at a time when to the degree that there are any economic side effects they will be desirable. For example, some time ago when there was some discussion, as I referred to this morning, about the corporate speedup. At that time there was a concern that if it were done too sharply it might retard expansion.

Mr. BATTIN. In your projection do you feel that even with the change in schedules there will be an underwithholding generally for all taxpayers, corporate, individual? Or are you just reducing the amount of withholding at the present time?

Secretary FOWLER. We are making changes in both the individual and corporate taxes. In the individual income field there is a substantial reduction in the amount of underwithholding I think in all the categories. We also tried to achieve a marginal reduction in the overwithholding in the lower income groups. However, as I pointed out in my statement, there will be an increase in overwithholding in the above \$10,000 category. We tried every way we could to avoid it, but I think you have to take the overall result of graduated withholding and balance that against this one effect that we wouldn't certainly want if we could avoid it.

Mr. BATTIN. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions? Mr. Herlong.

Mr. HERLONG. Mr. Chairman, reading from the President's letter, I think we can draw the inference that if this doesn't pass—inasmuch as he has said that he would not hesitate to ask for additional taxes if he needed the money—we can expect some message for some type of increase in taxes to come to the committee.

I am not trying to put words in the Secretary's mouth, but that would be the inference I would draw.

Secretary FOWLER. If this doesn't pass we would like the revenues from some better device that Congress might—

Mr. HERLONG. This is perhaps oversimplifying the position in which we members of the committee find ourselves, or at least I find myself.

As distasteful as it may be to put some taxes back on that we have just taken off, we are either confronted with doing this, or increasing taxation, or having a larger deficit, and while each of these three alternatives is bad, my position is that the least undersirable of the three is what you have suggested.

Secretary FOWLER. Precisely.

Mr. HERLONG. Thank you so much.

Mrs. GRIFFITHS. Mr. Chairman.

The CHAIRMAN. Mrs. Griffiths.

Mrs. GRIFFITHS. I did not intend to ask this, but under the circumstances I will. In your opinion now if this bill passes will the automobile excise tax go off as now planned, or will you expect to further tamper with it?

Secretary FOWLER. I would certainly not, Congresswoman Griffiths, as far as I know, and as far as the administration is concerned. We have tried to be fairly specific in our presentation to the committee. In my letter, which I would like to read from at this point, I said:

With regard to excise taxes, I want to make clear that our program merely calls for a temporary rephasing of a portion of the 1965 reductions. The legislation substantially eliminated the selective excise taxes which are neither sumptuary taxes nor user charges. We are not recommending the restoration of any of the excise taxes that were eliminated in 1965. In the 1965 reduction, the Congress did recognize, however, that there were two large levies which did not involve appreciable collection problems. In view of the revenue involved in these two large excise taxes, on automobiles and telephone service, these were scheduled for gradual reduction to fit the then fiscal situation. It is appropriate at the present time to reschedule these gradual reductions to fit the schedule to current economic conditions. Essentially, we recommend that each step in the present schedule, commencing with the January 1, 1966, reduction, be shifted forward 2 years.

Mrs. GRIFFITHS. So that while last year there was uncertainty, even at the moment the tax bill was signed, that it would be carried forward as written, now if this bill passes as written there is not going to be any further uncertainty. We are not going to revise this schedule of reductions?

Secretary FOWLER. So far as I can tell today. I mean I have no way of knowing what the future will bring but there is no current intention of any further revisions.

Mrs. GRIFFITHS. The suggestion of the gentleman from Florida is that we either take this or we levy further taxes. While this may sound all right to some people, I would like to point out that what we are now doing is saying that an American-made product, which is again fully employing about one person in six either directly or indirectly in the United States, is the one that is going to be taxed, while Russian sables and African diamonds are not going to be taxed, so that in reality it is not necessarily the fairest tax, the most just tax. It is just easy to collect.

Secretary FOWLER. As to the fairest and the just, if we get into reviewing all of the excise tax action that has occurred over recent years in determining whether those decisions have been fair and just, and what would be the fairest and the most just thing to do today, I think we would be here quite a long time and become involved in a good deal of legislative determinations. We frankly hope to avoid this by simply carrying forward a policy determination that the Congress had made last June to gradually remove these two particular taxes.

Now, the same considerations about Russian sables, and whatever else there were, were involved at that time. Congress made a judgment that it wanted to take those taxes off then, period. We respected that judgment. The Congress made a judgment it wanted to graduate the removal of these two taxes. We have tried to respect that judgment.

Mrs. GRIFFITHS. I would like to say again, Mr. Secretary, I was not one of those who made that judgment. I wanted the whole chicken leg last year, and I am annoyed we are not going to get the dessert this year.

Thank you.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. The administration is recommending a further reduction in the tax on Russian sables; it was in the state of the Union message. The President recommended lower duties to imports from Communist countries. So this is just going one step beyond that.

There is one thing about the new economics, Mr. Secretary, I would like to get straight.

Secretary FOWLER. I had better disqualify myself. I am a poor lawyer, Congressman Byrnes. I am not a member of the new or old economics school.

Mr. BYRNES. You are constantly in contact with the "new economists." I am not suggesting guilt by association.

Secretary FOWLER. Let me say I still find a number of the old economics school that I have to do business with, too.

Mr. BYRNES. You might be able to explain how this works. It probably is like the new way of teaching mathematics that my kids bring home. I can't help them because two and two apparently no

longer make four. I am intrigued by the ideas expressed by the President about reducing budget expenditures to a level \$600 million higher than they have been.

I assume that he is proposing an overall increase in nondefense expenditures of \$600 million more than we had in fiscal 1966. Is that it?

Secretary FOWLER. No, I think what he was referring to and perhaps it could be clearer, but he was referring to the fact that the departments and agencies as stated in the paragraph above had initially requested more than \$130 billion for the fiscal year 1967.

Mr. BYRNES. I have been in Congress quite a few years and the requests from the departments has always been in excess of what has been granted. This was true of any Congress or any President.

Secretary FOWLER. There is certainly nothing unique about his experience in finding he could not give them what they were asking for.

I think the unique feature he meant to point to was he would end up giving them only \$600 million more than they got last year from the budget, from his recommendations and the Congress.

Mr. BYRNES. I can understand his use of the word "only" as we have been accustomed to dealing in very big figures. You suggest that there has been a rather slight rise, but we do have to point out that since 1962, we have increased expenditures by some \$25 billion. We have had a 4-year period since that date which has not been very exemplary, and I think these are the relevant figures.

I would certainly compliment the administration and you, Mr. Secretary, if the budget is going to show there has been a reduction in old and existing programs of \$4.7 billion, which I believe is the information you gave to another member of the committee.

I am going to be very anxious to see where the increase of \$5.3 billion comes in.

Secretary FOWLER. I think that information will be fully indicated in the budget message.

Mr. BYRNES. You discussed with the gentleman from Florida several alternatives open to us in view of the fiscal situation, the economic situation, and the Vietnam situation. I did not hear you discuss the alternative, of further cutting expenditures or of not adding on the increases that are apparently going to be proposed in the budget. I am certainly waiting anxiously to see what those details are in the budget.

Let me ask this: The President just sent Congress just a \$12 billion supplemental request, and that is now before the Appropriations Committee. Can you tell me how those expenditures are broken down?

Secretary FOWLER. No, sir; I cannot. I think Secretary McNamara will appear, as I understand it, tomorrow, before the appropriate subcommittee to give a breakdown of that.

Mr. BYRNES. That is obligational authority?

Secretary FOWLER. That is right.

Mr. BYRNES. Not all of it will be expended in fiscal 1966.

Secretary FOWLER. That is right.

Mr. BYRNES. Therefore, not all of it is included in the 4.7 Vietnam costs that are attributable to 1966?

Secretary FOWLER. I think there are two different figures; \$47 billion is an expenditure figure in fiscal 1966. The \$10.5 billion is the expenditure figure estimated for 1967. The 12.4 is new obligational authority.

Mr. BYRNES. So that the new obligational authority, I assume, has to be projected into expenditures in particular fiscal years.

Secretary FOWLER. I don't know how that breaks down, but presumably he will deal with that tomorrow.

Mr. BYRNES. But it is already included in the 4.7 Vietnam figure that we now have for 1966.

Secretary FOWLER. Insofar as expenditures are contemplated in fiscal 1966.

Mr. BYRNES. The expenditures that will result from the \$12 billion new obligational authority is reflected in the \$5.8 billion for fiscal 1967 for Vietnam?

Secretary FOWLER. \$5.8 billion additional over 1966.

Mr. BYRNES. Concerning the graduated withholding recommendation, Mr. Secretary, I note from table 4 that we do improve the situation for the people with under \$5,000 adjusted gross income so that we will not be overwithholding to the same extent that we are today.

Secretary FOWLER. That is correct.

Mr. BYRNES. Frankly, I think that is a step in the right direction. We are bringing the amount of withholding more in line with tax liability and not overwithholding as much.

Secretary FOWLER. That is correct.

Mr. BYRNES. However, as related to the \$5,000 to \$10,000 group, I notice that there are 14.7 million returns on which there is now overwithholding of \$3.51 billion. Under the President's proposal, the amount of overwithholding is about the same in dollar amount, but the burden of that is going to be imposed on a smaller group of people. Instead of almost 15 million people, the burden is going to be on 12 million people. You are going to impose a very heavy burden on a certain group within this \$5,000 to \$10,000 adjusted gross income level.

First, I wonder why that occurs. What kind of people are these that you are going to transfer this unusually heavy burden to. You have not changed the dollar amount of withholding, but you have imposed the burden of overwithholding on a smaller group of people in that income level.

Secretary FOWLER. I think, as the statement generally indicated, it will be the people in that level who have large itemized deductions.

Mr. BYRNES. But you have to file an estimated declaration of income and pay in advance on that day.

Mr. SURREY. These are people, Mr. Byrnes, whose deductions run higher than the 10-percent assumption that is built into the table. The averages may run somewhere around \$200 or less, somewhat like the present averages we now have for the existing overwithholding in these groups. One is not sure that this is the same person from year to year, either, in this group, because it depends upon the amount of his itemized deductions. A good deal of this, I think, maybe half of it, comes from the very fact of having graduation in the first three rates alone through 17 percent. That alone will account for about half of the total overwithholding now in the group above \$10,000.

As the Secretary's statement indicates, so far as we have seen it, it is nearly impossible to simultaneously correct the underwithholding that exists in these brackets without having some change in overwithholding because of the necessary assumption you have to make as to

the amount of deductions and as to the amount of other income people have.

The amounts run about on the average of what they do today. There may be some slightly higher, but these figures run pretty much the same.

Mr. BYRNES. Fundamentally, the overall picture is that you are only going to increase the amount of overwithholding, as I read this, by \$50 million, is that correct?

Mr. SURREY. Yes, sir; that's the entire amount for the whole system. Largely it comes about from a reduction of about \$500 million in the very lowest brackets and an increase of about that same amount above \$10,000 as a concomitant to the fact that above \$10,000 a very large part of the underwithholding is wiped out. You can't achieve that last point of wiping out the underwithholding over \$10,000 without some increase in the number of people subject to overwithholding.

We can go into this further, if you want.

Mr. BYRNES. It seems to me you have two groups.

Mr. SURREY. Maybe I could put it this way, Mr. Byrnes.

Mr. BYRNES. I think you have cured problems in one area of the system, but you may have just transferred this problem to another group of taxpayers. I certainly think what you have done on the lower group is right, and I think that is really a step forward.

My question is whether, with one step forward, we are not taking a step back by transferring this inequity to just another group of taxpayers.

Mr. SURREY. It is a different situation in the sense that what has really been changed—and you are quite correct in this, Mr. Byrnes—is that the underwithholding seemed to be the prime concern of people generally and people in the Congress since it left some tax unpaid at the end of the year and a burden would have to be met. That problem has been largely eliminated as the result of these changes. I am speaking of the underwithholding problem which has been largely eliminated.

Mr. BYRNES. I think there should be a little underwithholding. I think it is good to have people see what they are paying rather than just having their employer deduct it.

Mr. SURREY. The system as geared today has very large amounts of overwithholding, even the present system, and it is nearly impossible to change it.

Mr. BYRNES. That is why I say I am glad you are getting rid of the overwithholding. That is unfair all the way around. You are just using someone else's money and not paying any interest for it.

Mr. SURREY. The reason for eliminating underwithholding is not to have people around April 15 find they don't have the money.

Mr. BYRNES. There is no question that there were some instances where people found they owed additional amounts when April 15 rolled around.

Mr. COHEN. It is a year-to-year problem which is rather significant.

Mr. BYRNES. The point I am making is that you propose to substantially increase overwithholding of a group of people that can and should have some ability to budget for themselves. We are talking about the middle income and higher income groups. What you

are doing is shifting the overwithholding from the low income groups to the middle and upper income groups. I am wondering if you can't devise a system that would not result in this extensive overwithholding that you propose to impose on individuals with over \$5,000 income.

Mr. SURREY. There will be 12 million overwithheld.

Mr. BYRNES. But the dollar amount is going to be the same as you had before, so the burden on that 12 million is going to be heavier, and I say that is an inequity.

Mr. SURREY. Some slight increase, yes, sir.

Mr. BYRNES. I am glad to get the 14 million down to 12 million, but I don't think that these 12 million individuals should be burdened with an increase in the amount of overwithholding. Do you see my point?

Mr. SURREY. I get your point thoroughly. It would be nice if you could do simultaneously both things. But equally the same problem exists above \$10,000. You can't simultaneously do both things.

Mr. BYRNES. Frankly, I can't believe that with the great ingenuity that exists down at the Treasury on things that they want to do, that you could not devise some way of meeting this particular situation. I don't think we should pick up revenue for the purpose of meeting emergency situations—the war or anything else—by overwithholding. I think that part of your proposal that eliminates overwithholding is good; it eliminates some injustices for some people. But I don't think you should get more dollars through overwithholding under the guise of equity.

Secretary FOWLER. Let me assure you that I don't think that the Treasury, or the staff, or anyone else went into that on that basis. They tried to come out with the best structure to produce the maximum of overall results. You just can't get the blanket big enough to fit the whole picture without excessively complicating the administrative problems for the employer, and in some ways for the individual.

Mr. BYRNES. You also knew you could pick up some income, in a sense, for the Government from an improvement of the situation with respect to those who are underwithheld. That is going to produce some revenue for you during this fiscal year and the next fiscal year, but it is a one-shot proposition. It is all to the good and I am glad that you have not approached this just as a gimmick of getting more money. There is also inherent in it a doing of equity.

You have a couple of more weeks, so I would hope that you will put some of your ingenuity to work to see if you can correct that part of your proposal that puts a bigger impact of overwithholding on that group over the \$5,000 level. It is true, I suppose, that much depends on the assumptions you make relative to itemized deductions, but I think there is some way you can do it without being too complicated. I have great confidence in you.

Mr. SURREY. I appreciate it and we have been struggling with this. We are working on it and if we come up with anything further we will be glad to go into it in executive session and certainly explain the dilemmas that exist in trying to reach the proper structure.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. On this same point, I wondered myself really what all of this was doing in this particular bill because I don't think the rev-

enue impact is really too important. I will get into some of the details later.

You particularly mentioned the complicated procedures for the employer. I think already you are posing a problem to the employer. are you not?

Mr. SURREY. In this particular sense?

Mr. CURTIS. Yes.

Mr. SURREY. Basically, there is no real difference between this system and the present system in this regard. The mere fact that you increase the number of rates is not a burden.

Mr. CURTIS. He has to segregate his employees and report to you instead of just using a flat rate for everybody. He has to have a whole lot of different categories.

Mr. SURREY. For most employers, we just give them a new set of tables or they use machines. About 18 States, Congressman Curtis, now use graduated withholding, some with more rates than we have in this table. We have talked to employers in various States, and once the change is made, they will either use the new tables instead of the old tables or they will adjust their machines to the new rates, and the system will work.

Mr. CURTIS. On the face of it you are obviously complicating it. I don't know the extent to which you are complicating it, but it is interesting that the things that are complicated come out easier, but yet, as Mr. Byrnes observed, when you ask for further refinement, then that becomes complicated.

By its face, this is going to require more effort.

I want to get into the revenue aspects in which I am very interested. Getting to the underwithheld, are you going to pick up most of the acceleration from the wages and salary incomes? There will be two categories of underwithheld. One will be those of salaries and then those with other income.

Mr. SURREY. We are talking now of income which applies only to wages and salaries.

Mr. CURTIS. You are not doing anything in the category of self-employed or people who have income from other than salary?

Mr. SURREY. Not with respect to the income tax.

Mr. CURTIS. Only with respect to the social security?

Mr. SURREY. On that, We are simply recommending that they be placed for their social security self-employment taxes on the same estimated system that they now are on for their income taxes.

Mr. CURTIS. So the category of people who have further declarations of tax which is required is being left alone in your recommendations?

Mr. SURREY. With respect to the income tax, that is correct.

Mr. CURTIS. So the recoupment is coming through the withholding aspect and it has nothing to do with the fact that the employee might have income from other sources.

Secretary FOWLER. That is correct.

Mr. KEOGH. If the gentleman will yield, those people are not included in your figures in table 1.

Secretary FOWLER. That is right.

Mr. CURTIS. The tables you have given us on overwithholding or underwithholding do not include the category of people filing declarations.

Secretary FOWLER. That is right.

Mr. VANIK. I would like to ask why the administration's proposal did not include reinstatement of the 8-percent tax on automobile parts that went into effect on January 1. This tax has had no beneficial effect that I have been able to determine as far as the consumer is concerned. If we were to reinstate the 8-percent tax, the Treasury would gain about a quarter billion dollars a year, and it seems to me this could be very easily done since the cut has only been in effect 2 weeks at this time.

In addition, the repeal of the tax on automobile parts provides the automobile dealers with a preferential advantage because it permits them to get an 8-percent excise tax cut which does not apply, as I understand it, to factory installed equipment. I don't think there is any justification for permitting this injustice and inequity to continue.

Secretary FOWLER. I would like Mr. Surrey to comment on this.

Mr. SURREY. Starting with the second half of your question, Congressman Vanik. You are quite correct that the auto parts tax would be at zero while the automobile tax at our recommendation would be at 7 percent. However, even under present law the auto tax would be at 6 percent and the auto parts tax would be at zero, so that differential would exist.

We were concerned at the time the previous law was put into effect as to whether this differential would cause any problem. We did not think it would because present regulations would keep a manufacturer from stripping his car of bumpers and wheels and everything else to get rid of the tax on bumpers and wheels and say they are auto parts. You can't do that.

Then with other things like radios, air conditioning and the like it does not pay, because of the markup on these and the cost of installation, to try to sell them separately, so as to get under the zero tax rather than the 7-percent tax that would apply if the parts were built into the automobiles. We don't think there is any trouble in the differential.

Now going to the question of should this tax have been selected. In addition to the point that the Secretary made that that would embark us on the question of which of the very many taxes which were completely eliminated should be restored, this is one that I think would be a particularly low candidate for restoration. It is a complex tax to administer. There are a lot of new articles.

Mr. VANIK. We have been administering it for a long time. The procedure is all worked out.

Mr. SURREY. No; it is not. A lot of new products come on the market every year for the automobile. We have to make the decision whether they are or not auto parts. There are many things that you think are not auto parts that become associated with an automobile merely because they are used with it which we have to classify from year to year.

In addition, this covers about 8,000 dealers and manufacturers and we would have to start again getting returns from these people. In the past this has been one of the high-cost taxes for the Internal Revenue Service to administer, for the problems I gave.

This was one of the excises that we thought had a high priority for elimination, as a matter of fact, when we were discussing the matter back last year.

Mr. VANIK. We have been endeavoring to find out whether or not any of the tax reduction has been passed on to the consumer. Up to the present there has been no price lists to indicate that any part of the tax reduction has resulted in a lower price. Apparently it is being retained by the manufacturer.

Mr. SURREY. Might I say on that, as a result of your efforts and others, we will be getting the same type information on the excise tax changes effective in January as we got last summer. We will make that information available as we get it. It as yet has not come in for the first month.

Mr. VANIK. At the time we considered this amendment to the law, it was estimated the cost to the Treasury would be about \$230 million based on 1962 figures.

Mr. SURREY. 1966 revenue, \$230 million revenue.

Mr. VANIK. Does that figure still stand, if this tax were restored, would it bring to the Treasury the approximate figure of between \$230 and \$250 million?

Mr. SURREY. \$230 million would be a fair estimate.

Mr. ULLMAN. I know one of your considerations in presenting this package is preventing inflation in this country. Is it your feeling that the package which you have given us will provide an adequate check on inflation and inflationary trends?

Secretary FOWLER. Congressman Ullman, I am skeptical of anyone's ability to make a judgment as to just what combination of factors will or will not avoid something as complicated and as cosmic as inflation.

I think whatever effect this particular budgetary package will have, including the measures in front of you, it will be in the direction certainly of minimizing any additional stimulus as the result of the budget, and to the extent it has an economic impact, it will be in the direction away from excessive exuberance and in the direction, to use the usual word, of restraint.

I don't think that I would want to conjecture as to what the pattern of the economic pattern is going to be. I think all we can do is read the signs as they come along. We have made a judgment that under the circumstances as we found them at the end of the year, that this was the appropriate combination.

I said this morning that I think that these measures do furnish some restraining influences against excessive economic exuberance without harming the healthy growth of the economy. I noted that we must take care in our zeal to avoid the onslaught of inflation, in that we do not want to imperil the patient to remedy the disease. But we recognize the danger before us, which will require very watchful vigilance, is the danger of economic excess, not economic deficiency.

This is a different judgment and a different posture from the one that I have taken sitting in this chair on other occasions before this committee while advocating tax reduction as a means of providing incentives and stimulus to the economy.

Mr. ULLMAN. Mr. Secretary, if the war in Vietnam should be stepped up inflationary pressures would certainly build up in our society, as for example, during the Korean war prices we had added excess profits taxes. I assume you will be thinking about what measures should or should not be taken to correct any trends in this direc-

tion. For example, during the Korean war an excess profits tax was imposed.

Secretary FOWLER. We have certainly been addressing ourselves to what might be called emergency planning in all areas. In fact, in reviewing the situation for this particular series of recommendations, we took a fairly intensive look at the whole range of measures from which selections might be made. I think the President said in his state of the Union message:

I hope the measures will be adequate, but if the necessities for Vietnam require it, I will not hesitate to return to the Congress for additional appropriations or additional revenues if they are needed.

From what I have said here this morning in answer to other questions, it will be clear that we felt that in coming up with this particular combination of measures to deal with the situations as we find them that this was the best of the various alternatives. What alternatives would be chosen if these prove to be inadequate to meet the situation as it develops, I don't want to get into if I can avoid that in a hypothetical and conjectural way.

Mr. ULLMAN. There has been considerable discussion and there will be increasing discussion of the problem. I just want to say now that my greatest concern involves the recent substantial increases in the cost of the most widely used commodity in America—money. Right now we are witnessing a 10-percent increase in the price of money in this Nation. I know that we could get into a day-long argument about the use of monetary policy, but I, for one, want to say that I hope, as you are examining alternatives, that you do not consider the possibility of additional excesses in the cost of money as a means of restraining inflation. It seems to me there are a lot more direct ways of doing it. In my judgment the increase in the cost of money is more inflationary in total effect than it is deflationary.

Secretary FOWLER. I think, Congressman Ullman, you have the wrong representative in front of you on the question of monetary policy which has recently been demonstrated as a responsibility of the Federal Reserve Board, which is answerable in this area to the Congress of the United States.

The CHAIRMAN. Mr. Vanik.

Mr. VANIK. Could you consider increasing the liquidity of banks which would have the effect of making them go into the market to bolster up their reserves and thereby curtail credit without increasing the cost of it?

Secretary FOWLER. In terms of the policies and attitude of banks, Mr. Vanik, of course the question of availability of reserves at the price at the rediscount window is primarily the function and responsibility of the Federal Reserve Board to the degree that the regulatory and supervisory processes have a bearing on bank conduct in this area.

As you know, they are pretty well spread. There is the State bank regulatory systems. In the Federal area there is the Federal Reserve Board which has regulatory and supervisory authorities in addition to its monetary responsibilities. There is the Comptroller of the Currency who, in an administrative way, is in the Treasury Department although in much of his regulatory responsibility he takes his responsibilities directly from the Congress by reason of the fact that that was one of the two bureaus in the Reorganization Act of 1948 which

was left with independent authority received directly from the Congress.

I think the thrust of your question, although I recognize it as being one of general concern, and I am concerned with the role of banks at this particular time, and I have to be, but the real muscle and the real authority to deal with that problem is in the agencies that I have mentioned that have their responsibilities directly from the Congress and are independent in that regard.

Mr. ULLMAN. I have just one more comment.

I appreciate your remarks but I think you are minimizing your own importance in this whole process.

Secretary FOWLER. I just want to recognize what is within my left hook, Congressman Ullman. I don't want any one to be misled on that.

Mr. ULLMAN. I wanted you to know how I felt about it, and I hope you will, when examining this problem, find some suitable alternatives so that those in other quarters will not justify these actions because nothing else is being done. I know you will use your ingenuity and the power of your office to find some other more adequate remedy for this problem.

The CHAIRMAN. Are there any further questions?

If not, we thank you again, Mr. Secretary, for coming to the committee. We appreciate the responses you have given to our many questions.

Secretary FOWLER. Thank you very much, Mr. Chairman. I appreciate the committee's willingness to hear us so soon, and I will be prepared to return after you have completed the public hearings.

The CHAIRMAN. Without objection, the committee adjourns until the morning of the 27th of January at 10 o'clock.

(Whereupon, at 3:40 p.m., the committee adjourned, to reconvene at 10 a.m., January 27, 1966.)

1966 TAX PROPOSALS OF THE PRESIDENT

THURSDAY, JANUARY 27, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

The Chair understand that our colleague, Mr. Jones, is momentarily detained and will be in the room later today.

Mr. Chamberlain.

We are pleased to have our colleague from Michigan, the Honorable Charles E. Chamberlain, with us this morning. You are recognized sir.

STATEMENT OF HON. CHARLES E. CHAMBERLAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. CHAMBERLAIN. Mr. Chairman and members of the committee, I would first like to express my appreciation to the committee for the opportunity to testify today. Although, frankly, I must confess that I had looked forward to 1966 as the first year since I have been in Congress when it would not be necessary to speak in protest against the continuance of the excise tax on automobiles. I am sure many members of the committee looked upon that prospect with equal pleasure.

Mr. Chairman, there may not be a good tax but there are certainly bad taxes. Last year this committee, after months of study, wrote a significant chapter of legislative history by casting out, in principle and in fact, selective excise taxes as a part of our overall tax structure.

I would not presume to test the patience of the committee by attempting to summarize all of the many strong arguments made by representatives of the many sectors of our economy as well as tax experts in opposition to these discriminatory levies. The committee has done its work and done it well. It found these excises guilty as charged of being inherently discriminatory and a drag upon the economy. In fact, the committee took such a strong and firm position with regard to these inequitable taxes that it insisted that nine-tenths of the 10-percent tax on automobiles be ultimately removed rather than maintained at a level of 5 percent as the President initially recommended.

In a letter to Chairman Mills dated May 25, 1965, President Johnson stated in reference to the automobile excise tax:

While I prefer the program I recommended, I feel that if the entire tax is to be removed, the Ways and Means Committee program represents a prudent way of doing so.

The President in his state of the Union message said that he believed it desirable because of increased military expenditures to "temporarily" restore the automobile and certain telephone excise tax reductions. He has specifically recommended that these reductions, approved only a few months ago, be postponed for 2 years.

Now, Mr. Chairman, I believe that a 2-year extension would set a bad precedent. During the Korean war emergency, the excise tax on automobiles was raised from 7 to 10 percent. This increase and other ones were lent some credibility as being "temporary" by the fact that they required an annual affirmative action by Congress to their continued life.

Mr. Chairman, it took over 12 years after the Korean war to take off these so-called temporary taxes even with this annual review requirement. I am not at all optimistic that this "temporary restoration" will be any shorter by a 2-year extension. The only temporary thing about these taxes has been their repeal.

Mr. Chairman, no matter how the military situation changes in the months immediately ahead, it appears likely that our presence in South Vietnam will be required for a period considerably longer than 2 more years. The President, himself, has warned us of a long period of involvement.

That being the case, I would respectfully suggest that instead of seeking what may be the quickest and easiest method for increasing tax revenues we should strive to obtain what is the fairest and best form of taxation. I am not satisfied that the reimposition of these taxes, acknowledged by the President last year to be burdensome and discriminatory, represents the fairest or best means to obtain the money we may need. Why should two sectors of our economy be made to shoulder the added cost of our military burden alone?

It may well be, Mr. Chairman, that the restoration of these taxes is the most expedient thing to do, but that is not the question; rather, I think we should be asking is it the right thing to do. Until there has been time enough to examine the entire budget closely, I shall have to withhold my final judgment as to the need for the continuance of these taxes.

For the present, I have yet to be convinced that the administration cannot get the Government's fiscal house in order without resorting to these admittedly discriminatory measures. I am satisfied that we are going to need a good deal more money for our efforts in Vietnam in the months ahead, and I will support increasing such taxes as may be found to be required.

Mr. Chairman, I will be voting with you to provide these funds, but I caution it should be done fairly.

We cannot cut back where it reduces our military effectiveness, especially at a time when American soldiers are in daily combat. Nevertheless, I am convinced that these added tax revenues can be and should be collected on a fair basis.

Therefore, I respectfully say to the committee, let us not act hastily and undo what has been successfully accomplished by the Excise Tax Reduction Act of 1965, but let us carefully explore possible areas of Federal expenditure where economies might be achieved or look to other more equitable sources for additional tax revenues.

Mr. Chairman, that concludes my statement, and I thank you for this opportunity to appear before this committee.

The CHAIRMAN. We appreciate your coming to the committee, Mr. Chamberlain. Are there any questions?

Mr. BYRNES. I have no questions. Nice statement.

Mr. CHAMBERLAIN. Thank you, gentlemen.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Fino.

We are pleased to have our colleague, the Honorable Paul A. Fino, from New York with us this morning.

You are recognized, sir.

STATEMENT OF HON. PAUL A. FINO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. FINO. Mr. Chairman and members of this distinguished committee, I welcome and appreciate this opportunity to testify here this morning on certain tax proposals now under consideration by this committee.

At the very outset, I would like to say that I believe most of these proposals are unfair, unjust, and certainly unnecessary. I say unnecessary because there are better revenue sources available to us. I say unnecessary because we do not have to spend as much money as we are spending.

Let's take up the proposal to reinstate the excise tax. I recall very vividly how President Johnson bragged about these reductions. In his message to Congress on May 17, 1965, he said:

* * * in proposing these reductions, I am fully aware of our present and prospective commitments for the defense of the free world.

Obviously, the President was not "fully aware" and now the American taxpayers and the American consumers must pay for this lack of foresight.

I would like to argue and discuss the consumers cause from three points of view.

The first premise is that, regardless of whether or not we need additional tax revenues, increased excise taxes—more particularly a restoration of the telephone tax—are not the way to do the job. Why? Because these taxes fall on the wrong segment of the community.

The AFL-CIO, in supporting the 1965 excise tax cut, said, and I am quoting AFL-CIO: "* * * these taxes hit low- and middle-income families hardest." This is particularly true of the telephone tax—because it cuts cruelly into the income of just those groups now being hit hardest by inflation.

If this excise tax on telephones is restored, it will mean that every telephone-owning family will pay about \$5 a year in new telephone tax. Families that have \$10 or \$12 monthly telephone bills will pay \$10 or \$12 a year in additional taxes. Think what a howl \$5 or \$10 a

year tax increases would cause if they were added on to poor people's income tax.

For most families earning less than \$3,000 a year—and that is Mr. Johnson's poverty line—\$5 or \$10 more a year in income tax would represent a nice percentage tax boost. I am willing to bet that more poor families pay \$5 a year in increased telephone tax than ever collect \$5 a year from our poverty program.

I understand that in fiscal 1967, the proposed telephone tax will bring in \$790 million. Undoubtedly, the poverty program will cost us much more—mainly in glossy propaganda and supersalaries for surplus social planners.

I suggest and propose that we forget about the telephone excise tax and the poverty program at the same time. The lack of a telephone tax would, in my humble opinion, be a better poverty program than Sargent Shriver can possibly ever come up with.

My second reason for opposing the telephone tax hike is that there is plenty, and I repeat that, plenty of budget fat to be cut without resort to this unfair tax on the low- and middle-income groups.

And the third reason for my opposition is that there are far more preferable alternative revenue sources available to us. I think that the telephone tax is altogether unnecessary; it is tantamount to a tax on free speech to pay for Federal bureaucracy.

I strongly urge this committee to give this proposal its most serious consideration and disapprove it.

Now, let's get to the next tax proposal, the graduated withholding of income tax rates. To my mind, this proposal is the President's tax on thrift and enterprise. It takes money away from taxpayers before the Federal Government has become finally entitled to it. It deprives taxpayers of the chance to earn interest on this money.

Let's get down to specifics. For the middle-income family that would have another thousand dollars a year withheld by these increased withholding rates, Mr. Johnson's tax on thrift and enterprise comes to at least \$25. I say this because that is the amount of interest the taxpayer loses by not having the \$1,000 in the savings bank. Here, again, we have a tax falling on middle-income groups harder hit than others by inflation. These are not the people to tax and certainly this is a tax. It is a tax like vodka—you don't see it, you don't taste it, but, eventually, you will feel it.

Now, don't misunderstand me on my position. I do not object to increases in the withholding rates for incomes in excess of \$40,000 or \$50,000. Clearly, incomes in these ranges are underwithheld, and some increase is in proper order.

I urge this committee, however, to give a break to the typical middle-income family by changing this proposal to call for optional increased withholding, so that thrifty families can earn interest in their money until it actually becomes due and payable to the U.S. Government.

The most lucrative of the President's tax changes is the speeded-up collection of corporate taxes. This change will doubtless force many corporations to borrow money to put their taxes on a pay-as-you-go basis. In effect, this is indirect taxation of corporate profits, but I do not object strongly here, because I believe that most American corporations are profiting significantly from our inflationary economic growth.

What I do worry about in connection with this proposed change is the bookkeeping gimmick it gives the President. This money will give the President the book-juggling wherewithal to propagandize a budget success which is just not true. This money can be used, and probably will be used, to justify big spending programs which we cannot afford.

I believe, as most people seem to, that we are on the verge of bad inflation. There are, as you know, two ways to fight inflation—either increase taxes or reduce expenditures. I think that reduced expenditures are preferable to tax increases which will burden the lower and middle income groups.

The billions of dollars the President will get from the accelerated corporate tax collection are going to be used as an accounting gimmick to deny the need for any meaningful reduction in expenditures. That is something I worry about, and every member of this committee and the Congress should worry about. I hope that this committee will make sure that the public knows that this money does not represent extra revenue, but merely represents a one-shot accounting gimmick.

To return to one of my earlier points, I am not convinced that we really need the money that the telephone tax and thrift penalty will bring in. We could save these amounts by cutting down on some of our less worthy expenditures. My own suggestions for economy are the very wasteful poverty and foreign aid programs. Each of these programs is notoriously full of fat, and I hope that the committee will bear in mind the low worth of some of the things that the telephone tax and thrift penalty will keep in the budget.

To go one step further, even if we must have our waste programs, there are better ways of paying for them than unfair taxes on the lower and middle income groups. The President wants a painless tax—I have a painless revenue device for him. And it is voluntary, to boot.

Let the President call for a national lottery. Or, more cautiously, let him call for a national referendum on the idea, or let him establish a commission to report to him on the pros and cons of the idea. Every one—every last country—of our European allies has a lottery. England, France, Germany, Holland, Sweden—all of them. Collectively these lotteries bring in billions of dollars. We are the only major nation dense enough to refuse to consider a lottery—and a lottery here would bring in billions a year, besides dealing—and this is important, gentlemen—a crippling financial blow to the underworld and its multi-billion-dollar gambling and narcotic monopoly.

In this connection, I want to bring to your attention, those of you who have not seen the New York Times, they have finally come out with the legalization of lotteries editorially.

I would like to say something else. I am tired of seeing my city constituents pay taxes to support Mississippi's cotton crop and Iowa's farmer crop while these recipients of New York dollars roll a political blackball on a lottery which could cut taxes in mine and other urban districts.

I urge this committee to consider the lottery idea carefully and seriously. I think that this Nation would profit enormously if this committee held hearings to consider the lottery as an alternative source of revenue to these proposed tax changes under consideration today.

If this committee were to hear testimony from knowledgeable police and FBI officials concerning the vast sums of illegal gambling moneys which we could divert to the Federal Treasury through a lottery, I know this committee would be highly impressed. I urge this committee to set up a special subcommittee to investigate the lottery idea as a revenue-raising device.

I have another alternative revenue source to propose instead of the taxes on telephone conversations and thrift. I think we should institute an excess profits tax on defense industries. They are the people making the money from this inflation we are beginning to undergo. They ought to pay for it. The consumer is the only one suffering from this cruel inflation. Why should the consumer pay double?

I urge this committee to consider the soaring profits and stock prices of the defense industries instead of slashing at the declining purchasing power of the harassed middle income consumer and pensioner. Why are we shying away from slicing off a bit of fat from the defense producers? Perhaps the consumers of America would not be taxed if they could buy \$15,000 per page political magazine advertisements.

Gentlemen, there are my comments and proposals. I repeat: We do not need the telephone and thrift taxes. We would do better to sacrifice wastelike sections of the poverty program. If we cannot cut expenditures, then we still may avoid these unfair taxes by tapping new revenue sources. I suggest a Federal lottery and an excess profits tax on our profit-swollen defense industries. I know this committee has the wisdom to know the difference and I urge that this committee show the courage to accept that difference.

Thank you.

The CHAIRMAN. Again, we thank you, Mr. Fino, for coming to the committee.

Any questions?

Thank you, sir.

Mr. FINO. Thank you.

Mr. KEOGH. I know of no one who has been more persistent and more capably persistent in the advocacy of a national lottery than our distinguished colleague from New York.

Mr. FINO. I might say to the gentleman from New York that the people of New York are going to be very proud very shortly because the State legislature will pass a State lottery bill.

Mr. KEOGH. Even though it has divided control up there?

Mr. FINO. They are getting together on this one issue.

Thank you, gentlemen.

The CHAIRMAN. Mr. Mott.

Mr. Mott, you have been before the committee before but, for the purposes of this record, we would appreciate you again identifying yourself.

STATEMENT OF WILLIAM C. MOTT, EXECUTIVE VICE PRESIDENT, UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION

Mr. MOTT. Mr. Chairman and members of the committee, my name is William C. Mott. I am executive vice president of the United States Independent Telephone Association (USITA), a trade organization representing the non-Bell segment of the telephone industry.

This segment is composed of 2,500 companies serving over one-half the geographical area of the Nation.

Although our companies have fewer telephones (about one-sixth of the Nation's total) than the Bell System, they have more exchanges—10,760 to Bell's 6,670. Thus, they serve predominantly the smaller communities—this Nation's suburban and rural areas.

I notice Mr. Betts up there from Ohio. We have no less than three of our companies in his district; and in Mr. Landrum's district, we have about five; and various other districts represented by members of the committee.

Now, it is customary for a witness to state his thanks and pleasure at the opportunity to present his views before a congressional committee. I must confess in this case I am rather saddened to find myself back here to protest the reimposition of a tax cut—one might call it a tax cut "cut"—just at a time when the beneficiaries of the cut are in the process of celebrating the receipt of the first telephone bills with an excise tax reduction.

Thus, in the short space of a very few weeks, what was described in the words of the President as "a shining chapter in the legislative record of this Congress" has become a tarnished chapter in the eyes of our telephone subscribers.

Moreover, it is difficult to explain to them—particularly our residence telephone customers—why it is that they stand virtually alone in suffering a total reimposition of the excise tax on their essential and necessary service. It is difficult because they don't understand why a service which they consider necessary and essential should receive no tax relief while the racetrack goer, the cabaret habitue, and the country club set are given complete excise tax relief.

A good many of our telephone customers read the conclusions of this committee that—

the tax on local and toll telephone service and teletypewriter exchange service is undersirable * * * on the grounds, first, that these taxes are regressive and therefore fall with greater severity on those with low incomes than on those with higher incomes.

I think that is a very key phrase, that they do fall with greater severity on those with low incomes than on those with higher incomes.

These customers read further, both in the words of this committee and in the words of administration witnesses, that the telephone excise tax was "discriminatory"—another key word. If it was "discriminatory" in the context then used, it has become more "discriminatory" in the context of reimposition because: (a) it is still the only excise tax imposed on a public utility; and (b) it is now almost alone and telephone subscribers cannot even enjoy the misery of the company of those other groups of customers and consumers who were formerly discriminated against.

There is no doubt about the depth of feeling of our telephone customers with relation to the excise tax on telephone service. They inundated our offices with telegrams, memorials and petitions while this bill was pending last year, and it is my understanding that individual Members of Congress heard from them in the same measure. This probably explains why there were more bills introduced in the last session of Congress to repeal the telephone excise tax than to repeal any other specific excise tax.

Now again they are sending in telegrams. For instance, I received one from the State of Georgia :

The board of directors of the Georgia Telephone Association at its meeting on January 25, did unanimously adopt a resolution opposing the proposed changes in telephone excise tax as enumerated in the President's state of the Union message.

They have forwarded that resolution to me.

The State of Pennsylvania, the Independent Telephone Association up there, sent a telegram, expressing its opposition to the reimposition of tax and urging our association in Washington to do everything it can to prevent this proposed colossal example of Government Indian giving. When Mr. Wilbourn, who is a member of the legislative committee of the U.S. Telephone Association testifies in a few minutes, he will explain to you exactly what this Indian giving means to him in added expense to his company in addition to the false promises it caused him to make to his customers.

Our customers, unlike the customers who buy automobiles, are identifiable and never change; they are our valued customers who remain such and to whom we have a continuing responsibility.

Let me emphasize my agreement with the recent conclusion of this committee that the telephone excise tax, especially as it is applied to residence telephones, is indeed regressive. Why is it regressive? Why, because over one-half of the households with telephones in this country—and this is really an astonishing figure—over one-half of the households with telephones in this country have incomes of less than \$6,000 a year, and one-fifth have less than \$3,000 per year.

Thus, the excise tax digs deepest into the pockets of the poor and the near poor. That presumably is why this committee labeled it a regressive tax. We could not agree more, and we don't think the passage of a few weeks can change the character of a tax which is regressive into one which is progressive. Even in the area of long-distance calls, it is noteworthy that fully one-half of those households making a dozen or more long-distance calls a year have an annual income of less than \$7,000—an income which is estimated to be the national median income for the year 1966.

I ask this committee to consider not only the regressive nature of this tax but the effect of the tax on sales in our industry. It has been pointed out in prior testimony, both by industry and administration witnesses, that the telephone excise tax restricts the sale of telephone service.

It becomes important to ask one's self to which economic class of persons does the restriction apply with the most pinch? Not to the rich man nor to the large and affluent business. They can afford to pay the cost of telephone service and the tax, too. No; the businessman can write off the expenses as business expense.

No, the man who is hardest hit is the poor man who may have the greatest need for the telephone service.

As presented in testimony before this committee in 1965, over 12 million households in the United States are without telephone service, and nearly 11 million of those households have less than \$6,000 of annual income. Seven million of them have less than \$3,000 of annual income. These are the very people at whom the much advertised war on poverty is directed. Yet, reimposition of the excise tax

may very well make the difference between these poor people having or not having a telephone, a necessity in life.

I come now to the part of my statement which is most difficult for me to express. The basic reason given by the administration for the reimposition of the telephone excise tax is to finance the increased cost of the war in Vietnam. It has even been suggested that it might be unpatriotic of industries affected to resist the reimposition of the excise tax.

I know the managers of our independent telephone companies are among the most patriotic people in the land. Many of the members of the board of directors of the United States Independent Telephone Association have distinguished war records in the service of their country. They would be the first to make sacrifices in the interest of national security. They are, however, in this instance representing their customers for the excise tax is a tax on telephone customers—not on telephone companies.

I don't mean to imply by that, members of the committee, that there will not be added expense on our telephone companies as a result of the reimposition of this excise tax. Mr. Wilburn will explain that. I have letters from all over the country protesting the fact that all of the IBM machines now have to be reprogramed at a cost which Mr. Wilburn can give you, so there will be added expense on the telephone companies, but the basic burden is on the telephone customer.

Now, this tax was described by the Honorable Mr. Fowler, the Secretary of the Treasury, in his statement before the Senate Finance Committee in 1965, in these words:

Excise taxes, unlike income taxes, impose burdens on those whose income is below the level of their personal exemptions and deductions. The present excise tax reduction program will lighten the burden of regressive taxation on low- and middle-income people. A great deal of the revenue involved comes from extremely regressive taxes, which are a heavy burden on low incomes. These include the taxes on telephones, automobile parts and accessories, toilet preparations, and most of the household appliances.

These are the words of the Secretary of the Treasury.

As members of this committee will note, Mr. Fowler's pitch in that statement was that the burden of regressive taxes, like the telephone excise tax, fell heaviest on the poor people—those who in the President's words live in the shadow of poverty. Are these the people we wish to have bear the greatest burden of a tax to meet the increased cost of the war in Vietnam?

I have, for instance, here a telegram from a little company up in Minnesota which wants to make a plea. As the president of the company says in the telegram, "I strongly urge no reenactment for the excise tax on telephone service so vital to our rural farm families." Signed, Kenneth M. Peterson, Kerkhoven, Minn.

I will make these telegrams a part of the record, with your permission, Mr. Chairman.

Members of this committee are much more experienced and much wiser than I in being able to define a regressive tax as distinguished from a progressive tax. I would not be so presumptuous as to advise you in what areas the President's budget might be pared to make the reimposition of excise taxes on telephones unnecessary, nor would I be so foolish as to suggest the kind of tax which would be most equitable

to impose should it be decided that the country needs more revenue to carry on the war in Vietnam.

I do say, however, that a tax which you, yourselves, have labeled as regressive, which the Secretary of the Treasury has labeled as regressive, and which the President has labeled as regressive, is not the one you should sanction or select. Millions of telephone subscribers look to you to do what is fair and equitable and to eliminate what is discriminatory and regressive.

To sum up, Mr. Chairman, the excise tax on telephone service has been "temporary" for 25 years. Eleven times, the Congress of the United States has "temporized" by extending this "temporary" tax. It was rather well expressed by a talented young cartoonist named Art Wood in my office, and I would like to have his cartoon inserted in the record at this point. If this Congress reimposes the full excise tax, it will be the 11th time it has done so. Thus, the cat shown in the cartoon emerging from the water with the excise tax stone around its neck will have 11 lives instead of the legendary 9.

You can't blame our telephone customers for being deeply suspicious that the promise to lift the tax in the future is an empty one. They can't understand why excise tax relief has been given to the customers of electric utilities, to those who use transportation facilities and to the whole host of other users of products formerly taxed and not to them. Frankly, it is very difficult for me to find adequate and logical reasons to explain why they are so discriminated against.

If we must find more money to prosecute the war in Vietnam, to prosecute the war on poverty and other domestic programs which the Congress may agree with the President are essential, I would hope the Congress would take seriously its constitutional obligation "to lay and collect taxes, duties, imposts and excises" and do so in a fair and equitable manner.

I would hope that this committee would take a long, hard look at any recommendation to reimpose a tax which it and the administration already have labeled as both discriminatory and regressive.

The CHAIRMAN. We thank you. Without objection, you will have permission to include in the record the telegrams that you referred to. However, we do not put cartoons in our hearing record.

(The telegrams referred to follow:)

HAWKINSVILLE, GA., January 26, 1966.

Adm. WILLIAM C. MOTT,

Executive Vice President, U.S. Independent Telephone Association, Washington, D.C.:

The board of directors of the Georgia Telephone Association at its meeting on January 25, did unanimously adopt a resolution opposing the proposed changes in telephone excise tax as enumerated in the President's state of the Union message. This resolution will be forwarded to Senators Russell and Talmadge and the 10 Representatives of Georgia requesting their assistance in behalf of the telephone users in Georgia. Further this resolution requested the public service commission to use its influence in making this same request. A copy of this resolution is being sent to you for your information. We fully concur, as does this resolution, in the contents of member letter 1003 as well as your letter of January 21 to State association executives.

W. MANSFIELD JENNINGS, Jr.,
President, Georgia Telephone Association.

HARRISBURG, PA., January 26, 1966.

WM. C. MOTT,
Executive Vice President, U.S. Independent Telephone Association, Washington, D.C.:

The 80 independent telephone companies in Pennsylvania on behalf of their 700,000 subscribers vigorously protest the reimposition of the 10-percent rate of telephone excise tax.

Coupled with 5-percent Pennsylvania sales tax, this uneconomic, discriminatory, and unpopular levy on an essential utility service, places an unfair burden on the telephone using public, while luxuries remain untaxed.

Our companies spent many thousands of dollars and weeks of labor in changing billing procedures to make the tax reduction effective 3 weeks ago. We urge you to do everything you can to prevent this proposed colossal example of Government Indian giving.

A. C. HERBERT,
Executive vice president, Pennsylvania Independent Telephone Association.

ST. PAUL, MINN., January 25, 1966.

Adm. WILLIAM C. MOTT,
Executive Vice President, U.S. Independent Telephone Association, Washington, D.C.:

Some 155 independent telephone companies owning and operating 534 exchanges in Minnesota vigorously oppose the reimposition of the Federal excise tax to the 10-percent level.

The "temporary World War II emergency tax" was endured for 25 years by the telephone patron. At the time of President Johnson's state of the Union address, the telephone patron had a partial repeal for 12 days after 25 years.

You are urged to oppose this with all vigor and vitality. Enough is enough. Why must the telephone-using public be the single target of the utility family? Why must the telephone utility be the only one burdened with this collection cost?

And is it fair and equitable to permit all the other excises to stand repealed or partially so?

We ask you to fight this down to the last ditch with all your facilities.

KEITH W. VOGT,
Executive Secretary-Treasurer, Minnesota Telephone Association, Inc.

KARLSTAD, MINN., January 24, 1966,

Adm. WILLIAM C. MOTT,
United States Independent Telephone Association, Washington, D.C.:

We strongly urge you to oppose the reimposition of the Federal excise tax on telephone service. We feel this is a discriminating tax.

WIKSTROM TELEPHONE CO., INC.,
GEORGE F. WIKSTROM,
President.

WILLMAR, MINN., January 26, 1966.

Admiral MOTT,
United States Independent Telephone Association, Washington, D.C.:

To reimpose the Federal excise tax on telephone service after seeing and enjoying its repeal for 1 month would be a serious mistake. As a telephone manager and director of the Minnesota Telephone Association, I strongly urge no reenactment for the excise tax on telephone service so vital to our rural farm families.

Sincerely,

KERKHOVEN, MINN.

KENNETH M. PETERSON.

The CHAIRMAN. I think it would be a good thing if we proceed now to hear Mr. Wilbourn, and if you will, Mr. Mott, please remain at the table so that you and Mr. Wilbourn both can be questioned at the conclusion of his statement.

Mr. MOTT. Mr. Wilbourn will bring to light, Mr. Chairman, some examples of what has happened in his company in Arkansas.

The CHAIRMAN. Mr. Wilbourn, president of the Allied Telephone Co., is a friend of mine from Little Rock, Ark., one of our very successful telephone companies in the State.

We are glad to have you with us today.

Mr. BYRNES. Mr. Chairman, in connection with the cartoon, put it in the record; I do think we should compliment the gentleman who drew the cartoon.

The CHAIRMAN. Yes.

Mr. MOTT. Thank you.

The CHAIRMAN. You are recognized, Mr. Wilbourn.

STATEMENT OF H. R. WILBOURN, JR., PRESIDENT, ALLIED TELEPHONE CO. OF ARKANSAS

Mr. WILBOURN. Mr. Chairman and members of the committee, my name is H. R. Wilbourn, Jr., president of the Allied Telephone Co. in Arkansas. I operate one of the 2,500 small companies in the Nation. I apologize for not having a prepared statement.

I also would like to state for the record that I would be much more comfortable if I were out designing and building telephone lines rather than appearing before this committee.

I appreciate the opportunity to be here.

The Allied Telephone Co. serves 35 small towns in 23 counties in Arkansas and part of my job is to appear before the city councils and the small chambers of commerce in the State, to talk about service and talk about rates.

Recently, when the tax was removed from the telephones, our company put an ad in all of the State papers, and a copy of this ad will be furnished for the record. The heading on the ad says, "Uncle Sam Reduces Your Telephone Bill."

(The ad referred to follows:)

UNCLE SAM REDUCES YOUR TELEPHONE BILL

Time was when the 10% federal excise tax on your telephone bill was for a good cause — to raise funds to fight in World War II. But it has outlived its usefulness now. ■ Today, as then, excise taxes are placed only on luxury items. Your telephone is no luxury. To many people, the telephone is a vital part of their business. To house-

wives, it's an important link with husbands or neighbors. For emergency use, it has no equal in getting out a call for help. The telephone is truly a necessity in our fast moving world. ■ So we were very, very happy when Uncle Sam decided to lift the out-model tax. Beginning with your January telephone bill, you'll find a 70% reduction in federal tax. The remaining three per cent will be eliminated at the rate of one per cent each year until completely done away with by 1969. ■ It's a move we at Allied, as well as telephone companies all over America, fought for since the close of the war. ■ We just wanted you to know that Uncle Sam has lowered your bill and we're passing the entire saving on to you. Thank you Uncle Sam.



ALLIED
TELEPHONE COMPANY

MR. WILBOURN. After putting this ad in the papers, we then went before several of our city councils and used the reduction of telephone rates to ask our people if they would like to have improved telephone service at no additional cost, or if the cost would be additional, a very small one. Our city councils in some cases have already voted to remove the four-party service and install two-party service at an increased rate, but the rate not being excessive the city subscribers were actually not to receive an increase in their total bills.

We have also done the same thing for our rural people in all of the exchanges in Arkansas, and again we serve a large area, taking the 8-party and 10-party people and asking them if they would like to have 4-party telephone service. In making this service available to these people, we were certainly taking into account the fact that there would be no tax on the telephones.

We appeared before the City Council of Crossett, Ark., and, following my presentation to that city, I made the statement that the relief from telephone taxes would pay the increased cost of their improved service. The city overwhelmingly granted us permission to spend basically a half million dollars in changing the service from eight to four and from four to two party. Many of these customers already have this improved service; a lot of the construction has already been completed; and the plans for the balance of it are underway.

If we have to go back and tell these people, these housewives and these residents, that instead of getting this telephone bill for \$5 it is now going to cost them \$5.50 and you add the toll tax to that, it is now going to cost them \$6 for their telephone, it puts us in a rather embarrassing position.

It will be hard to explain to these people also that at the expense of the residents' telephones certain big business telephone taxes have been eliminated.

I urge this committee to look at the tax on the residents' telephones and if the tax can be found elsewhere we will greatly appreciate it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Wilbourn.

Mr. Mott, again thank you.

Are there any questions of the two gentlemen?

Mr. Curtis.

MR. CURTIS. Your association is composed of a great many of the small telephone companies that service the rural and the small town areas, is that correct?

MR. MOTT. That is correct, sir. We have some very large companies as well but the vast majority of them are small companies.

I notice the president of the Winter Park Telephone Co. in Florida is in the room, and companies of that nature.

MR. CURTIS. This is just a collateral issue, but it needs some understanding.

The co-ops in this rural telephone program, are they members of your association?

MR. MOTT. Yes, sir. We have approximately 61 members that are co-ops that are members of our association. A member of our board

of directors, Mr. Robert Burke, of the Ace Telephone Association in Minnesota, is a member, and I have a letter from him here protesting the impact of this reimposition on the cooperative.

Mr. CURTIS. I wanted to direct a little attention to that because I think the Federal Government is subsidizing in this area.

I am just thinking, to get my line of thinking right in this one area, it is a little strange to be taxed in an area that we are actually subsidizing but I want to be sure I was correct in that statement. The subsidy consists in below-market interest rates to the telephone groups; is that it?

Mr. MOTT. At the present time, that is true, Mr. Curtis.

There are quite a few of these companies down in your State of Missouri. However, the President has made a proposal which would, in a sense, change that if the Congress passes it by setting up other means of financing. It would not totally eliminate the 2-percent money. Our own association has just engaged Kuhn Loeb & Co. in New York to make a study of alternate methods of financing.

There are a good many of these companies which do not like to take this subsidy from the Federal Government, but the truth of the matter is under the law as it now stands they cannot help themselves even if they have money falling out of all their pockets.

Mr. CURTIS. What I am interested in is not whether you could do anything about all inconsistencies but the inconsistency of taxing the very area that you subsidize. I have often observed that the definition of a poverty group used is that group whose income is \$3,000 and below. That has been refined to some degree but, nonetheless, let's take that. I think we collect about \$1.8 billion in Federal income tax from the so-called poverty group. This is the same principle as taxing subsidized telephone companies.

As I say, I don't know that this inconsistency can be resolved but it is pointed up to some degree here in the main thrust of your statement, and this being a regressive tax it therefore does hit these lower income groups.

I do think you have gone overboard in your statement—I will be honest with you; but the point that you are trying to make is a legitimate one and one that needs consideration.

Thank you.

The CHAIRMAN. Any further questions of the gentleman?

If not, we thank you both for coming before the committee.

Mr. Hall.

Mr. Hall, you have been before the committee on occasions in the past. For the record, will you please identify yourself again?

**STATEMENT OF EDWIN S. HALL, SECRETARY, FREEDOM, INC.,
FARMINGTON, CONN.**

Mr. HALL. My name is Edwin S. Hall. I am secretary of Freedom Inc., Farmington, Conn., founded in 1950, to develop a new tax code for the United States as a public service, and representing 50 million voters who are frustrated by their tax headaches and are demanding a simple tax law.

Mr. Chairman and members of the committee, I support the President's request for the necessary revenue to pay as we fight, reduce the deficits, and stop inflation, but oppose restoring the automobile and telephone excise taxes and believe that the corporate payment speedup, the graduated withholdings from individuals, and the quarterly social security payments for the self-employed will not be worth in revenues the price in complications added to our already overcomplicated income tax law, the Internal Revenue Code of 1954 as amended. What this country desperately needs, and now, is a simple tax law.

A TAX WAY OUT OF INFLATION AND WAR TO PRICE STABILITY AND PEACE

In a free market economy with the general price level stable, contracts made 1 year will be equally valid the next, and the same wages will buy the same or better standard of living year after year.

Congress has the power to tax and spend, and "to coin money" and "regulate the value thereof," to maintain free market price stability. Congress has the power; all it needs is a clear understanding of the basic equation of economics, the equation of exchange. Here is that equation in its simplest form:

$$\frac{\text{Number of units of money spent}}{\text{Number of units of commodities paid for}} \\ = \text{average price of commodities}$$

To keep the value of the ratio, price (general price level) stable, Government's duty is to increase the numerator, money (dollars being supplied and spent) at the same rate that business increases the denominator, commodities (goods and services being produced and paid for). Government has been increasing the money supply by printing interest-paying bonds on which to "borrow" new bank-created money (deposits credited to Government's account by the banks as they "monetize" the bonds). Government could increase the money supply by printing limited amounts of currency. No interest to pay. No debt.

Government spending has been a factor in giving us 60 months of prosperity, but when deficit spending of new money, credit or currency, increases the numerator, money, faster than business increases the denominator, commodities, the value of the ratio, price, goes up. This is price inflation, the thing commonly called inflation.

Inflation steals the value of our dollars, robs us of purchasing power, causes strikes for higher wages, weakens our competitive position in world markets and our balance-of-payments position. Inflation is an insidious sales tax; it taxes most unmercifully the aged, living on pensions, benefits, compensation, social security—the millions of voters whose incomes are fixed.

Government unwittingly commits this crime (inflation by deficit spending, causing price inflation) because our income tax law (that inequitable and complex monstrosity, the Internal Revenue Code of 1954 as amended) is inadequate. Thousands of pages—yet it cannot even collect enough revenue to keep up with spending and prevent inflation. Ridiculous, if it were not disastrous! To collect the necessary

revenue to stop inflation and pay as we fight, whatever the cost in Vietnam, we need an equitable, adequate, and simple tax law.

In the article, "That Tax Is Here Again," Nation's Business, March 1949, S. Burton Heath, Pulitzer Prize winner, told the story, from Genesis, of how the first Internal Revenue Commissioner, Joseph, with liberal intentions and a progressive income tax, completely socialized Egypt in 7 fat and 7 lean years. At the end of one swing of the business cycle, Pharaoh owned all the grain, all the stock, all the land, and all the people.

It is conceivable that Karl Marx read Genesis before he drafted his famous "Communist Manifesto" with its 10-point program (Ten Commandments of Communism) to "wrest by degrees all capital from the bourgeoisie." His first point was ending the private ownership of land. His second was "a heavy progressive or graduated income tax."

Is it too much to suggest, once again, that Congress toss this very unscientific law out the window and give us a new one?

Is it too much to ask that the new law go back to first principles, raise the necessary money in a simple, equitable, scientific manner?

Is it too much to hope that we can get a law that will tax us with the least possible damage to the American economic system?

There's no reason in the world we shouldn't have such a law. No reason, that I can imagine, except lethargy or political cowardice.

The tax story, begun in Genesis, is continued in Exodus and Leviticus. The Israelites, capitalists at heart, didn't like socialized bondage. One day, they escaped across the Red Sea to the Sinai wilderness. Moses went up on Mount Sinai for a summit conference. He came down with the original Ten Commandments and other simple laws. One of these laws was a simple proportional (flat rate) income tax, the tithe (Leviticus 27:30-34).

Today, we can escape from \$318 billion worth of "bondage" by adopting a proportional (flat rate) income-tax law. All the inequities and complexities of the Internal Revenue Code arise from two sources: (1) indirect taxation, the attempt to tax business; and (2) "progressive" taxation, the attempt to soak the capitalists and benefit the workers. A direct and proportional income-tax law can be equitable and simple, but it is not yet politically possible. As long as employees are hired as independent contractors not receiving their parts of profit or loss, they will vote for Congressmen who favor the "double" taxes on profits and the "progressive" income tax of the Internal Revenue Code.

A business is a combination of business property (tools of production) and business personnel (people). Employers, by investing money, own business property, the tools, their property ownerships measured by their respective amounts of money invested. Employees, by investing life while exchanging their services for salaries or wages, own business personnel, themselves, their personal ownerships measured by their respective amounts of year's pay. Employees are part of the business. As free people, they own themselves. They own part of the business, the human part. Why not recognize the fact by hiring employees, not as independent contractors, but as limited partners?

When employers and employees are limited partners receiving their respective parts of profit or loss, they will work together loyally and efficiently (Procter & Gamble, Sears, Roebuck & Co.; et al.) to increase

profit and prevent loss. No strikes. And a direct and proportional income-tax law, the freedom tax law, will be not only equitable and simply, but also politically desirable, a real votegetter.

The freedom tax law will—

(1) Let employers elect to hire employees as limited partners and withhold a simple tax on profits, salaries, and wages (instead of the complex taxes of the Internal Revenue Code of 1954 as amended) and distribute the balance of profit (or the loss) partly in cash dividends declared as usual and partly in business property ownership credited (or charged if a loss) to themselves and their employees in amounts proportional to their respective amounts of money invested and year's pay. Comparisons made from annual reports show that, in a profitable business, whether you are an employer (an owner of business property) or an employee (the personal owner of yourself, a part of business personnel), you will get a tax cut, a take-home raise.

(2) Adjust the tax rate currently as an automatic governor on the price level, and issue limited amounts of new currency, to overbalance the budget, reduce the debt and the interest, raise the buying power of the dollar, and let the free market reduce and stabilize prices. Taxing the broadest tax base (national income) insures lowest rate, 20 percent collecting more than \$100 billion. Adjusting the rate of the proportional income tax will not disturb the just distribution of incomes. The high rate needed to pay as we fight will absorb the "inflationary gap" between personal incomes from all production and available consumer goods. Real price stability.

(3) Pay Government and other nonprofit employees a "dividend" added to their pay, from and in proportion to the billions they save and return to the Treasury or other source. They will spend less and work more efficiently.

(4) Let the needy change from group and conditional relief to an overall system of cash aid for food, clothing, and housing, plus payment of all their medical bills, locally administered by social workers and the clergy, and payable from income-tax revenues. No accounting overhead. Lowest cost to taxpayers. Free-market medical care for all the needy. Total security.

Communists, brainwashed by Karl Marx, insanely believe they are fighting for freedom. They believe it is their mission to liberate nations from capitalism and socialize the world. In their eyes, we are the aggressors; in our eyes, they are. It is this mutually suspicious misunderstanding that divides the world. Neither months nor years nor decades of killing Communists can convince them they are wrong and induce them to quit, but a right idea could. As Victor Hugo said, "No army is as powerful as an idea whose time has come."

Under the freedom tax law, employers (by hiring employees as limited partners and recognizing their personal ownerships) will correct the defect in freedom that has been the cause of the "class struggle" and thus remove the basic cause of strikes and the wage-price inflationary spiral. An example of industrial peace and price stability in the United States will shine with a light so bright as to pierce the Iron/Bamboo Curtain, expose Karl Marx as a quack, and leave Com-

munists without a revolution. The war in Vietnam—wars, cold and hot—will subside. We can lead the world toward peace.

Gentlemen of the committee: It's up to you. The freedom tax bill is ready to be introduced again. Your staff could put it in shape for enactment in time to reach the President's desk for signature before the "Ides of March" mentioned in his letter to the chairman.

The CHAIRMAN. Does that conclude your statement, Mr. Hall?

Are there any questions?

Mr. Hall, we thank you again, sir, for returning to the committee and giving us the benefit of your views.

The Chair observes that our colleague from Missouri, the Honorable Paul C. Jones, is now in the room.

Mr. Jones, we will be glad to hear from you, sir.

Mr. JONES. Thank you, Mr. Chairman.

The CHAIRMAN. We are glad to have you with us, and you are recognized.

STATEMENT OF HON. PAUL C. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. JONES. Mr. Chairman, I don't have a prepared statement. I think I can make a statement in about 2 minutes and tell you what my impression is of this change in the excess taxes on automobiles and telephone tax.

I think, as most of you know I was one of a very small minority who voted against the decrease in the excise taxes before. I think it would be a mistake to make the change so quickly after we had gone one way.

I would like to say that I would predicate my statement on the fact that the people who recommended the tax before, I think it has been demonstrated that they made a mistake then.

I have made a statement in the House that I felt that the way that we could do this in the most practical way would be to place what might be determined an excise tax on income taxes for the specific purpose of raising the funds which the President says are necessary to carry out the action in Vietnam and when that emergency is over it could be removed.

I think that if the situation continues, as many people believe it will, that we are going to have a need for further taxes. I think that any time that we place a tax that it is good for the people, the taxpayers should know why we are levying the tax and to have some assurance that when that emergency is over that the tax can be removed. It is just as simple as that.

I would also predict that unless we do this, that if we pass this tax package that has been proposed here, that before we leave this Congress I think that we will be called back to provide additional revenue. I think that the simplest way to do it is to put it on the income tax.

I have also felt that we should collect taxes from those who are most able to pay. I have always been opposed to these so-called hidden taxes, and I would like to get it out in the open and have some assurance that when the emergency is over that we can get the tax solved.

That completes my statement.

The CHAIRMAN. Mr. Jones, we thank you, sir, for coming to the committee and giving us the benefit of your thinking and I want to compliment you on your statement.

Mr. JONES. Thank you.

The CHAIRMAN. Any questions of Mr. Jones?

Thank you, sir.

Mr. JONES. Thank you.

The CHAIRMAN. Mr. Fox.

Mr. Fox of Highland, Indiana?

Mr. Fox is not in the room. This concludes our witness list for today.

The Chair asks unanimous consent to include four statements which have been submitted presumably for inclusion in the record:

One from the American Motors Corp. of Detroit; one from the Chrysler Corp. of Detroit; one from the Ford Motor Co. of Detroit; and one from General Motors Corp. of Detroit.

Without objection, these statements will be included at this point in the record.

(The statements referred to follow:)

AMERICAN MOTORS CORP.,
Detroit, January 25, 1966.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing you for the purpose of setting forth American Motors' views on the administration's passenger car excise tax proposals. My views are set forth in the attached statement.

In the interest of time, I have sent copies of the statement to the other members of your committee. Because of their interest, copies have also been sent to the Secretary of the Treasury, the Secretary of Commerce, and members of the Senate Finance Committee.

Permit me to express again my appreciation of your past consideration in this matter.

Sincerely,

ROY ABERNETHY, *President.*

STATEMENT BY ROY ABERNETHY, PRESIDENT, AMERICAN MOTORS CORP., ON
ADMINISTRATION PROPOSALS RE PASSENGER CAR EXCISE TAX

American Motors Corp. appreciates this opportunity to express its views to the House Ways and Means Committee on the administration's passenger car excise tax proposals. These proposals call for reimposition of the 1-percentage-point reduction in the automobile excise tax which took place on January 1, 1966, and the delay for 2 years of scheduled future reductions.

Since the reductions now effective have benefited the economy in many respects, we would regret any further delay in the continued reduction of this discriminatory tax on automobile purchasers.

We recognize, however, that Congress may join with the President in deciding that there is need for emergency tax revenues at this time. If this be the decision, we hope that short-run considerations—including the ease of excise tax collection and administration—will be weighed against considerations of tax equity.

We urge that the basic tax reform enacted by Congress in 1965 be postponed no longer than is absolutely necessary.

As Congress recognized in passing the Excise Tax Reduction Act of 1965, selective excise taxation of goods and services is discriminatory and harmful to the national interest. This discrimination is especially burdensome in the case of automobile transportation which is a necessity for most people in this country. The great bulk of automobile mileage goes to carrying out necessary daily activities. Furthermore, purchase of a passenger car represents a big

expenditure for the average family. Thus, the passenger car excise tax adds importantly to the cost of essential transportation.

Since all of the excise taxes considered by Congress in 1965 now have been eliminated, except those on automobiles and telephone service, the remaining passenger car excise tax burden is even more discriminatory. It was precisely to prevent just such discrimination that your committee in its 1965 report recommended full repeal of the tax, rather than reduction to 5 percent, as then proposed by the administration.

The reductions in the new car excise tax so far put into effect, from 10 percent to 6 percent, have made an immediate and direct contribution to overall price stability. American Motors fulfilled its pledge to Congress to pass on, through reduced prices, the full amount of the excise tax reductions, including the most recent reduction from 7 to 6 percent.

In addition to passing on the price reductions made possible by the excise tax cuts, American Motors reduced the prices of its 1966 cars by an average of \$70 over similarly equipped 1965 models. This action was noted favorably by Members of Congress at the time.

These reductions were promptly reflected in the manufacturers' suggested price labels required by law to be affixed to each new passenger car. As a result of our actions and the actions of other automobile manufacturers and the automobile dealers, reduction of consumer prices has been realized. This fact was documented by the Council of Economic Advisers in a report by Dr. Gardner Ackley to the President dated November 29, 1965:

"The Bureau of Labor Statistics has completed its survey of prices of new-model automobiles. It reports that manufacturers and retailers are fully passing on to consumers the benefit of lower excise taxes and have reduced prices fractionally in addition."

The new car component of the BLS Consumer Price Index has declined by almost 4 percent in the year ending November 1965, the latest date for which information is available. Clearly, the excise tax reductions were promptly reflected in reduced retail prices and, therefore, in the Consumer Price Index. During the past year, these reductions were an important factor in achieving overall price stability—a goal no less urgent in the year ahead.

There is need to move forward as soon as possible on the basic tax reforms enacted in 1965. Considerations of tax equity and the potential for economic growth inherent in such reforms make it so.

If Congress decides to postpone the scheduled future reductions in the discriminatory passenger car excise tax, we urge that such action be only for the period for which decisions are now required. We recommend, moreover, that resumption of scheduled reductions of the passenger car tax be by steps of two percentage points each year until the tax is completely eliminated.

STATEMENT BY CHRYSLER CORP., PROPOSED INCREASED PASSENGER CAR EXCISE TAX

Chrysler Corp. welcomes this opportunity to state its views to the House Ways and Means Committee on the administration's passenger car excise tax proposals. These proposals call for increasing the automobile excise tax from its current 6 percent rate to 7 percent until January 1, 1968, and for postponing the reductions scheduled by law for 1967, 1968, and 1969 to 1969, 1970, and 1971.

We are naturally disappointed that your committee should have to consider increasing the discriminatory passenger car excise tax. The excise tax reform enacted by Congress in 1965, upon the recommendation of this committee, was a major improvement in the tax structure of the United States. The benefits of eliminating these discriminatory excise taxes have been amply demonstrated throughout our economy.

Chrysler Corp. urges that your committee consider other available means of securing any needed additional revenues and expenditure control before burdening the passenger car consumer with an increased excise tax on this basic necessity.

We recognize that you are confronted with the responsibility of measuring carefully the needs of the Nation in the current emergency and providing adequate revenues to meet them. Chrysler Corp. shares your concern that this

Nation finance its increased commitments without adding to the national debt. We are prepared to share in any increased taxes your committee determines are required.

To select only two items, telephone service and passenger cars, for bearing a significant share of the proposed burden, in fact the only true tax increases proposed at this time, requires more justification than mere ease of collection. Ease of collection has never been considered an adequate substitute for equity.

Congress recognized that selective excise taxation was discriminatory and harmful to the national interest when it passed the Excise Tax Reduction Act of 1965. Now that all of the excise taxes considered by Congress in 1965 have been eliminated, except those on automobiles and telephone service, the remaining passenger car excise tax burden is even more discriminatory. In order to prevent just such discrimination, your committee in its 1965 report recommended full repeal of the tax, rather than reduction to 5 percent as had been proposed:

"In view of the fact that the administration proposal, apart from the auto tax, calls for the repeal of all excise taxes except those considered the equivalent of a user charge, those of a regulatory nature, and the sumptuary taxes on alcohol and tobacco, your committee concluded that it could not justify leaving the 5 percent tax on passenger cars."

Congress, in its excise tax action, laid great stress upon the need for these tax benefits to accrue to the consumer, not to benefit the manufacturers, wholesalers or retailers involved. Chrysler Corp. pledged to pass on, through reduced prices, the full amount of the passenger car excise tax reduction. Chrysler Corp. fulfilled completely its pledge, including passing on the January 1, 1966, reduction from 7 percent to 6 percent, by reducing our prices. In addition, these reductions were promptly reflected in the manufacturer's suggested price labels required by law to be affixed to each new passenger car.

The stated conviction of dealer representatives that dealers would in turn fully reflect the reduction in consumer prices has been realized.

The effect of such reductions was confirmed by Dr. Gardner Ackley in his report to the President dated November 29, 1965:

"The Bureau of Labor Statistics has completed its survey of prices of new-model automobiles. It reports that manufacturers and retailers are fully passing on to consumers the benefit of lower excise taxes and have reduced prices fractionally in addition."

The new car component of the BLS Consumer Price Index declined by almost 4 percent from November 1964 to November 1965, the latest date for which information is available. The BLS used car price index also declined during the same period, from 122.9 to 118.7. There can be no doubt that passenger car excise tax reductions are promptly reflected in the Consumer Price Index. This has made a significant contribution to overall price stability in the past year.

It is apparent, therefore, that increasing the discriminatory passenger car excise tax would adversely affect price stability.

Chrysler Corp. has gone even further than its pledge to pass on fully the passenger car excise tax reductions. We have, in fact, passed on the full excise tax reductions on other of our products, such as passenger car parts and air conditioners.

Deferral of scheduled future reductions in the passenger car excise tax does not, of course, incur the same adverse effects as would an increase in the tax from the current 6 percent to 7 percent at this time. It does, however, postpone the benefits which complete elimination of the passenger car excise tax can bring the Nation's economy. It also continues the long denial of simple equity for the passenger car consumer.

The Congress may decide that our Nation's emergency revenue needs require postponement of the scheduled future reductions in the passenger car excise tax for the period of emergency. We urge in that event that any required postponement of the scheduled 1967, 1968, and 1969 reductions should be limited to 1 year. This is the maximum period for which the Congress must act at this time.

Future reductions in the passenger car excise tax should be by annual steps of 2 percentage points each until the tax is completely eliminated.

Chrysler Corp. is convinced that economic growth in the United States for the years ahead can be materially increased by removing the discriminatory passenger car excise tax burden on the passenger car consumer. We feel certain that this committee will provide the passenger car consumer with full equity at the earliest opportunity.

FORD MOTOR CO.,
Washington, D.C., January 24, 1966.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Mr. Henry Ford II is in South America on a business trip. By telephone, he has authorized me to release in his behalf the attached statement concerning the President's proposal on automotive excise taxes.

I am taking the liberty of furnishing Mr. Ford's statement to all members of your committee.

Sincerely,

RODNEY W. MARKLEY, JR.,
Managing Director, Washington Office.

There follows a statement by Mr. Henry Ford II, chairman of the board, Ford Motor Co., relative to the President's recommendations concerning automobile excise tax:

"The administration has asked Congress to rescind the January 1 reduction in the automobile excise tax, and to postpone for 2 years the further reductions now scheduled for 1967, 1968, and 1969. If in the judgment of the President and the Congress financing the war in Vietnam requires that consumers temporarily pay an additional tax on the purchase of automobiles, then the Ford Motor Co., will, of course, support their action.

"As Congress recognized in its action on excise taxes in 1965, selective taxation of automobiles and other goods and services is harmful to the national interest in times of peace. In supporting the President's request for deferral of excise tax reductions as a wartime measure, the Ford Motor Co. wishes to emphasize that the passenger car excise tax impairs the national potential for economic growth. Therefore, this excise tax on consumers should be reduced—and, we would urge, eliminated entirely—at as early a date as the exigencies of war will permit, or the state of the economy demands."—Henry Ford II, January 24, 1966.

GENERAL MOTORS CORP.,
Detroit, January 24, 1966.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

MY DEAR MR. CHAIRMAN: My purpose in writing to you is to give you a summary of our views in General Motors on the administration's passenger car excise tax proposals. These proposals call for increasing the automobile excise tax from 6 to 7 percent and postponing for 2 years the scheduled future reductions in this tax.

We believe that the President in his state of the Union message provided the country with a clear statement of the Nation's needs and resources in the year ahead. As General Motors record clearly shows, we stand ready to do whatever he and the Congress now find to be necessary.

Nevertheless, we must record before your committee our disappointment that the administration has chosen to single out our industry and our customers, together with one other industry, to bear the immediate burden of higher taxes in this emergency. We would urge that the scheduled reductions in the discriminatory passenger car excise tax should not now be postponed beyond the fiscal year 1967, the period for which decisions are required at this time. We recommend that resumption of scheduled reductions of the passenger car tax should be by steps of two percentage points each year until the tax is eliminated.

In your committee's review of the administration's proposals, there are other considerations bearing on the Nation's welfare which we believe should be weighed. In the report of your committee on the Excise Tax Reduction Act of 1965, it was pointed out that the excise taxes which you recommended for elimination "were not developed on any systematic basis and are often discriminatory in their application to the taxed industries or to purchasers of the taxed products."

With the passage of the Excise Tax Reduction Act of 1965, signed by the President on June 21, 1965, an important and constructive forward step was taken

to correct this longstanding inequity in our tax structure. At the time of this writing only two industries, of all those for which remedial tax action was prescribed, are still subject to discriminatory excise tax levies. The automobile industry, together with its dealers and its customers, is one of these. Against the background of relief already granted to others, the proposal of the administration to increase the excise tax on new cars and to delay for 2 years the schedule of tax relief enacted last year is even more strikingly discriminatory than before.

Unlike many products which have already been relieved of excise taxes, a car is a necessity in the work of many owners and is the only means for getting to and from work for many others. A car plays an essential role in the housewife's operation of her home. The time is long past when a car can be considered a luxury. At the same time, there are few products, with the possible exception of a house, that require as large a family expenditure. Thus, the passenger car excise tax represents a significant addition to the cost of needed transportation.

Your committee, in its 1965 report, recognized the undesirability of such discrimination when it recommended full repeal of the tax rather than reduction to 5 percent: "In view of the fact that the administration proposal, apart from the auto tax, calls for the repeal of all excise taxes except those considered the equivalent of a user charge, those of a regulatory nature, and the sumptuary taxes on alcohol and tobacco, your committee concluded that it could not justify leaving the 5-percent tax on passenger cars."

In his state of the Union message, the President expressed his concern about the possible inflationary potential resulting from the present emergency. In this connection, the record of the Bureau of Labor Statistics documents well the intensely competitive conditions in this industry. The new car price index has declined almost without interruption over the past 8 model years.

General Motors fulfilled completely its pledge to pass on, through reduced prices, the full amount of the excise tax reductions, including the January 1, 1966, reduction from 7 to 6 percent. The stated conviction of dealer representatives that dealers would in turn fully reflect the reduction in consumer prices has also been fulfilled. As Dr. Gardner Ackley pointed out in his report to the President dated November 29, 1965: "The Bureau of Labor Statistics has completed its survey of prices of new model automobiles. It reports that manufacturers and retailers are fully passing on to consumers the benefit of lower excise taxes and have reduced prices fractionally in addition."

The new car component of the BLS Consumer Price Index declined by almost 4 percent from November 1964 to November 1965, the latest date for which information is available. The BLS used car price index also declined during the same period, from 122.9 to 118.7. It is clear from this experience that passenger car tax reductions are promptly reflected in the Consumer Price Index and during the past year have made an important contribution to overall price stability.

The considerations we have briefly discussed herein are obviously of direct and immediate importance to our industry, our dealers, and our customers. We believe they are also important to our national economy both in terms of basic principles of tax policy and, more immediately in relation to the reimposition of the January 1, 1966, excise tax reduction, in terms of stabilizing price indexes.

Looking to the longer term, we wish to emphasize that the Nation's potential for economic growth will be immeasurably enhanced by the complete removal of the passenger car tax. At the same time, we will come closer to the second, and equally important, objective of tax policy—the realization of greater equity in the Federal tax structure.

I am taking the liberty of sending copies of this letter to the other members of your committee and to the members of the Senate Finance Committee, the Secretary of the Treasury, and the Secretary of Commerce.

Sincerely,

J. M. ROCHE, *President.*

The CHAIRMAN. The Chair understands also that there are a number of other statements that have been submitted for inclusion at this point in the record: A statement from the National Association of Manufacturers, for example. If there is no objection, we will include all those statements at this point.

No objection.

(The statements referred to follow:)

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N.Y., January 25, 1966.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee, House of Representatives,
Washington, D.C.

MY DEAR MR. CHAIRMAN: The National Association of Manufacturers wishes to again state its view that selective excise taxes to raise general revenue are discriminatory and should be eliminated from the Federal tax system. Especially, we urge that there be no change in the intent of Congress as expressed in the Excise Tax Reduction Act of 1965.

We, of course, are not in position to refute or contest the reasons advanced for delay in the downward adjustment and elimination of the auto and telephone excises as provided in the 1965 act. However, we do urge that the objectives of that legislation be maintained in rescheduling whatever adjustments are enacted as the result of the President's request.

We also urge the sympathetic consideration by you and your colleagues on the Ways and Means Committee of a stepping up of the timing of the remaining scheduled reductions of the excises in question so that the dates of the final reductions approximate as closely as possible those enacted last year.

We respectfully ask that this letter be made a part of the record of your committee's hearings.

Sincerely,

W. P. GULLANDER, *President.*

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., January 27, 1966.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee, House of Representatives,
Washington, D.C.

DEAR CHAIRMAN MILLS: The President's recent tax recommendations are, under present circumstances, reasonable and worthy of favorable consideration.

Insofar as additional revenues are needed to press the war in Vietnam to ultimate victory, we believe this to be a reasonable means of supplementing receipts. The proposed action on excise taxes, obviously, should be only temporary in nature.

The need for more Federal spending for defense should place a heavy burden of proof on advocates of increased expenditures for nondefense programs. Each existing domestic program should be carefully scrutinized and no new programs instituted without incontrovertible proof of immediate need.

When your committee undertakes consideration of the President's recommendations on user charges we shall wish to comment.

Sincerely,

DON A. GOODALL,
Legislative Action General Manager.

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., January 25, 1966.

HON. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR CHAIRMAN MILLS: The American Farm Bureau Federation, a general farm organization representing more than 1,677,000 member families in 49 States and Puerto Rico, has long maintained a keen interest in Federal tax policies. Through an extensive policy development program, our member families discuss problems and develop recommendations on many issues which affect them directly in the business of agriculture as well as those matters which have an important impact upon them as citizens of the United States.

In view of the expenditures made necessary by the Vietnam conflict, we recognize the necessity for the reduction of nonessential Government expenditures.

A prime candidate for close scrutiny by Congress is the increased emphasis on direct payments in the Department of Agriculture's budget. These payments could be substantially reduced.

Farm Bureau has carefully reviewed the recommendations made by the administration with regard to certain tax adjustments. We are opposed to the proposal to restore the January 1 reductions in the excise tax rates on telephone service and passenger automobiles.

Farm Bureau's 1966 policies state:

"Federal excise taxes should be limited to nonessentials and user taxes such as the tax on passenger transportation by air and the taxes now committed to the Federal highway trust fund. The reductions enacted in 1965 should become effective as scheduled. In revising the excise tax structure, priority should be given to the elimination of taxes that affect farm production costs."

Farm Bureau believes that the Federal excise taxes on telephone service and passenger automobiles—

Are highly discriminatory;

Invade a field of taxation which should be left to local and State governments; and

Bear heavily upon farmers and ranchers, increasing their production costs and decreasing their net income.

In 1965 Farm Bureau supported the removal and reduction of many of the Federal excise taxes. We urged that priority be given to the removal of those excise taxes which directly affect our cost of production, especially telephone service and automobiles.

While the removal of the taxes on telephone service and automobiles was scheduled over a 4-year period (except for a 1-percent tax on automobiles which was made permanent), the excise taxes on many luxury items were removed immediately upon the effective date of the act.

The President's recommendations would delay most of the reductions on telephone service and automobiles for 2 years but would not reinstitute the taxes on luxury items. We do not believe this is sound tax policy.

We are certain that the committee will agree that it is not in the best interest of American agriculture, business, or consumers for excise taxes to be manipulated in the fashion proposed by the administration's recommendations. For example, in 1965 the excise tax on telephone service was 10 percent; on January 1, 1966, it was reduced to 3 percent; under the President's proposal, the tax would be increased to 10 percent approximately a month after the enactment of the new legislation. This tax would be reduced back to 3 percent January 1, 1968, and decline by 1 percent for the succeeding 3 years. We do not believe that the committee wishes to build such complexities into the application of Federal taxes.

We have recommended that the Congress take the necessary action to reduce the deficit and make substantial progress toward the objective of a balanced budget by limiting Federal expenditures. We believe that reduced Federal expenditures are preferable to the manipulation of Federal excise tax rates in the manner proposed by the administration.

We are not opposed to the remaining three recommendations made by the President in regard to (a) corporate income tax payments; (b) a graduated withholding system for individuals; and (c) quarterly social security tax payments.

We respectfully request that this letter be made a part of the hearing record in regard to this matter.

Very truly yours,

CHARLES B. SHUMAN, *President.*

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
Los Angeles, Calif., February 1, 1966.

HON. WILBUR D. MILLS,

Chairman, Ways and Means Committee, House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: Consistent with our deep interest in matters affecting Federal taxation, the institute's committee on Federal taxation has reviewed President Johnson tax recommendations and the Treasury Department's technical explanation dated January 13, 1966.

In view of the procedural nature of the President's recommendations and the economic and fiscal reasons for their presentation, we are commenting only on

matters of implementation. In this context we call to your attention a few problems with respect to the proposals on speedup of corporate income tax payments, graduated income tax withholding for individuals and self-employment tax.

Following is a summary of the problems with suggested solutions. We believe that the President's proposals can be modified to take care of the problems without interfering in any material way with the objectives of the proposals.

1. Speedup of corporate income tax payments

On March 19, 1963, we presented certain recommendations to your committee in connection with the tax message of January 24, 1963, presented by the late President John F. Kennedy. One of our recommendations was concerned with the acceleration of corporate tax payments. At that time we pointed out the problems that would result for corporations because of the requirement that the first payment of a calendar year corporation's estimated tax must be made on April 15. We stated:

"Since an initial estimate would be required by April 15 for a calendar year corporation, and since most corporations would require a reasonable length of time to close their books and prepare data for determination of the estimates, the initial estimate each year would have to be made on the basis of operations for the first 2 months of the year. Corporate incomes may fluctuate widely and trends may not be readily identified in any short period. Therefore, many corporations would be forced to make meaningless estimates on April 15. The result could be overpayments of tax, thus depleting funds needed for other purposes, or underpayments subject to penalty."

We recommended that corporate payments be made in equal thirds, with the first payment in the 6th month of taxable year (June 15 for a calendar year corporation) and the 2d and 3d payments in the 9th and 12th months.

The difficulties encountered by corporations with respect to estimating taxes for the purpose of the first payment still exist and are compounded by the proposed acceleration of the scheduled increases in such payment. While we continue to favor our proposal of spreading the estimated tax in thirds from the 6th through the 12th months of the year, our concern could be alleviated substantially by eliminating the payment in the 4th month of the year, and simply adding that payment to the payment due in the 6th month of the year. Thus, for calendar year corporations, a payment of 24 percent would be required on June 15, 1966, and a payment of 50 percent would be required on June 15, 1967. The September 15 and December 15 payments would be in accordance with the President's recommendations.

For your convenience, the following tables present the President's proposed schedules of corporation income tax payments and our suggested schedule expressed as a percent of calendar year tax liability, and assuming that a corporation estimates 100 percent of income:

President's proposed payment schedule

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966	12	12	25	25	13	13
1967	25	25	25	25	0	0
1968	25	25	25	25	0	0

AICPA suggested payment schedule

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966	0	24	25	25	13	13
1967	0	50	25	25	0	0
1968	0	50	25	25	0	0

Under our suggestion, we believe corporations would have a chance to judge more accurately the trend of the current year's business before having to make their first estimated tax payment, and, with respect to calendar year taxpayers, the same amount of estimated tax would be received by the Treasury Department in a particular fiscal year of the Government.

2. *Graduated income tax withholding for individuals*

It has already been called to your attention by others that the proposed graduated income tax withholding rate schedule will substantially increase over-withholding for taxpayers with adjusted gross incomes of \$10,000 and over. We believe an adjustment in the withholding rates which decreases this result without materially affecting the other advantages sought to be derived would certainly be desirable.

We have two other thoughts on this proposal which we believe should be considered:

(a) *Separate table for heads of households.*—The Treasury Department report indicates that the table for single employees will also apply to heads of households. Since the latter group would then be subject to overwithholding, perhaps a third set of tables could be prepared. We recognize, however, that your statistics may indicate that the number of taxpayers involved may not warrant the additional complication.

(b) *Extend effective date to July 1.*—The effective date of the new rate schedule is May 1, 1966. Obviously, it will be imperative that a sufficient period of time be provided between the enactment of the law and the effective date of the new tables for proper instructions to be disseminated to all employers and for the employers to have sufficient time to revamp their systems. It appears to us that the objectives of the proposal would not be materially affected if the effective date was moved forward to July 1. This would have the additional advantage of starting the new system with the beginning of a calendar quarter, thus enabling a more systematic changeover for many employers.

3. *Self-employment tax*

The Treasury Department report indicates that "the incorporation of the self-employment tax into the estimated tax system would add approximately 1 million declarations." In view of the clear desirability of simplifying tax compliance and administration, we think it is undesirable to require these additional declarations solely because of the self-employment tax. We would recommend, therefore, that the inclusion of such tax in the estimate system should apply only to those taxpayers who are required to file estimates because of their income tax liability. We recognize that this may create a slight inequity between the two groups of taxpayers; however, we believe that this inequity is less undesirable than a requirement calling for an additional 1 million taxpayers to file a form they have not had to file before.

In this connection, it should be noted that section 6654 of the Internal Revenue Code requires the imposition of a penalty when an underestimation of tax occurs. The Internal Revenue Service has no discretion in this matter. If the proposal is enacted, it is not unrealistic to suppose that many of those taxpayers required to file declarations solely because of their self-employment tax will fail to do so. In that case, the mandatory penalty for 1966 would be less than \$10. It appears to us that the cost to the Government of collecting such a penalty would not be worthwhile both in terms of dollars and taxpayer good will.

We would be pleased to amplify any of our comments should you require additional information. We appreciate the opportunity to comment on the President's tax recommendations and to have our views incorporated into the record of the hearings.

For your committee's convenience, we are sending a copy of this letter to all members of the Ways and Means Committee, and to Mr. Leo H. Irwin, chief counsel.

Very truly yours,

DONALD T. BURNS,
General Chairman, Committee on Federal Taxation.

MACHINERY & ALLIED PRODUCTS INSTITUTE,
Washington, D.C., January 31, 1966.

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee,
 House of Representatives,
 Washington, D.C.*

MAPI COMMENTS ON TAX RECOMMENDATIONS OF THE PRESIDENT

DEAR MR. CHAIRMAN: In connection with current public hearings, we welcome this opportunity to present for the record our views on certain aspects of the tax program outlined by President Johnson in his state of the Union message and submitted in detail to the committee by Secretary of the Treasury Fowler on January 13. As you know, the Machinery & Allied Products Institute and its affiliate organization, the Council for Technological Advancement, are the national spokesmen for the capital goods and allied equipment industries of the United States.

Our comments are addressed to one part of the administration's tax program—the recommendation that the schedule for accelerating corporate income tax payments, in accordance with section 122 of the Revenue Act of 1964 and as set out in section 6154 of the Internal Revenue Code of 1954, be further speeded up so that corporations will be on a current basis with respect to estimated tax liability by 1967 instead of 1970 as now provided. For 1966, this would mean that on April 15 and June 15 a calendar-year corporation would owe 12-percent payments, instead of 9-percent payments, on its estimated current income tax liability; in 1967, these payments would rise from the now-scheduled 14 percent to a full 25 percent.

It is clear that, for the average corporation, adoption of the speedup recommendation will increase cash-liquidity requirements and the problems inherent in estimating. The strain that will be caused for some corporations by adding these proposed percentage increases to the existing schedule for stepping up payments will be quite severe. For that reason, we urge that the committee, in connection with its consideration of this proposal, study the possibility of liberalizing section 6655 of the Internal Revenue Code which relates to the determination of underpayment by a corporation of estimated tax liability and the consequences of such underpayment. Specifically, we urge adoption of the following proposals which we think will considerably ease the speedup burdens on many corporations:

1. The annualization method of estimating corporate income and tax liability for the payment due on the 15th of the 4th month is now based on the first 3 months' experience—this should be amended to permit also, at the corporation's option, estimation based on the first 2 months' or first month's experience;

2. The 6 percent "addition" assessed on underpayment of estimated taxes should not apply when such payments amount to at least 60 percent of the actual tax liability shown on the final return, rather than 70 percent as provided under present law; and

3. Finally, the 6 percent "addition" should be treated as interest and not as a penalty and should be accorded tax-deductible status.

Annualization method of estimating first corporate tax payment due in current year

A corporation is required to make installment payments on its current-year tax liability on the 15th day of the 4th, 6th, 9th, and 12th months of its taxable year—for a calendar year corporation these due dates are April 15, June 15, September 15, and December 15. The 6 percent "addition" for underpayment is assessed if any of these payments is based on an estimated tax liability which amounts to less than 70 percent of actual tax liability.

However, there are three alternative methods which the corporation may use to avoid liability for the 6 percent "addition." The first two are based on the preceding year's tax liability and the preceding year's income taxed at the current year's rates. Use of these methods obviously creates special problems when the current year's income greatly exceeds the preceding year's income and

a very substantial part of the current year's tax liability must be paid in one lump sum with the filing of that year's return on the following March 15. The third alternative, annualization—estimating the current year's earnings and tax liability on the basis of experience for a fraction of that year—seems to be of greater significance than the first two alternatives for the average corporation.

Under the annualization concept, the corporation is to pay at least 70 percent of whatever fraction of the tax liability of the current year, based on the earnings for that year up to that point, is to be paid by that date. With respect to annualization for the second, third, and fourth quarters—in connection with the payments due on June 15, September 15, and December 15, in the case of a calendar year corporation—the installment can be based on earnings experience through either the end of the immediately preceding month or the end of the third month preceding the current month. Thus the corporation can base its projected earnings and tax liability for the 2d, 3d, and 4th quarters on the basis of earnings experience through either the 15th or the 75th day prior to the due date for paying that particular installment.

In the case of the first installment, however, no option is available; in the case of a calendar year corporation, the first installment due on April 15 must be annualized on the basis of experience through March 31.

The problem caused by underestimation and liability for the 6-percent underpayment "addition" perhaps has not been too significant for most corporations when, under the annualization method, the minimum payment due for calendar year corporations on April 15, 1964, and April 15, 1965, has been merely 0.7 and 2.8 percent, respectively, of its actual tax liability for those years. But under the administration recommendation these percentage figures rise sharply to 8.4 and 17.5 percent, respectively, for April 15, 1966, and April 15, 1967.

You will recall that a similar problem arose in connection with the enactment of the Internal Revenue Code of 1954 which initially required corporations to begin to pay their income tax liability on September 15 and December 15 (in the case of calendar year corporations) of the current year. With respect to the application of the annualization method to these current year payments, the Congress accepted in the final version of the bill a Senate Finance Committee amendment which permitted annualization based, at the option of the corporation, on experience either through the month prior to the month in which payment was due or through the period ending 2 months before that month.

The following reason for the amendment given by the Finance Committee seems to us equally applicable to the current situation respecting the payment due for the first quarter:

"This provision will substantially ease the compliance burdens for a number of corporations which, because of the difficulties in inventorying, would have inadequate time to prepare an estimate on the basis of the annualized income through the months ending before the month in which the installment is to be paid."¹

Accordingly, we suggest that section 6655(d) (3) (A) (i)—the provision relating to the application of the annualization method to the first quarter payment—be amended to permit estimation, at the corporation's option, based on the first month or the first 2 months of the current taxable year as well as estimation based on the first 3 months.

Sixty percent of actual tax liability should be the basis for determination of underpayments

We think that the problems inherent in estimating corporate tax liability might be considerably alleviated by a reduction, for the purpose of determining the amount of underpayment, in the percentage relationship between estimated tax liability and actual tax liability. Since 1954, this percentage has been established at 70 percent—that is, if the current payment made by the taxpayer is based on an estimated tax liability amounting to less than 70 percent of the actual tax liability of that year, 6 percent of the amount of the underpayment is assessed as an additional amount due.

We think that a 60-percent basis for such underpayment determination would be much more appropriate, particularly in view of the taxpayer problems implicit in trying to pay estimated corporate tax liability on a wholly current basis

¹ S. Rept. 1622, 83d Cong., 2d sess., p. 140.

by 1967. In a number of respects, the hardship situation will be similar to that which led this committee in 1954 to recommend the reduction of the percentage basis for underpayment determination for individuals from 80 to 70 percent, and also the initial application of the 70-percent basis to estimation by corporations. These recommendations were, of course, adopted in the Internal Revenue Code of 1954.

Therefore, we suggest that subsections (b) and (d) of code section 6655 be amended to provide that 60 percent of actual tax liability rather than 70 percent should serve as the basis of determining liability for the 6-percent underpayment "addition."

The 6-percent underpayment "addition" should be tax deductible

Another step which would greatly alleviate the underpayment problem resulting from the difficulties inherent in estimating current corporate income and tax liability would be to provide specifically that the 6-percent underpayment "addition" be treated as interest rather than as a penalty as it is at the present time. This would substantially lighten the impact of underestimation resulting from an unexpected increase in the originally projected earnings. Generally, interest on tax deficiencies is deductible but penalties are not.

In view of what we think is the desirability of making it easier for corporate taxpayers to adjust to the speedup in corporate tax payments—particularly the acceleration in the speedup now proposed—we suggest that appropriate amendments be made in code sections 6655 and 163 to specify that the 6-percent "addition" for underpayment be treated as interest and be accorded tax-deductible status.

This concludes our comments on the President's recommendation for further acceleration in the corporate income tax payment schedule. If we can provide any assistance with respect to these suggestions, please let us know.

Respectfully,

CHARLES STEWART, *President.*

STATEMENT SUBMITTED BY THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION ON
PRESIDENT'S 1966 TAX PROPOSALS

The National Automobile Dealers Association is a national trade organization comprising more than 22,000 franchised new car and truck dealers engaged in selling and servicing new cars and trucks of all makes, domestic and imported, in all 50 States.

NADA, organized in 1917, to represent new car and truck dealers, has long opposed discriminatory taxes on the essential automobile. Since the imposition of a 3-percent excise tax in October 1917, and through all of its 50-year history, NADA has sought to remove the excise tax from the essential family car—the most tax-burdened product in our national economy.

This struggle culminated in a partial victory with the passage last year of the Excise Tax Reduction Act of 1965 which provided for a gradual elimination, over a 5-year period, of all but 1 percent of the 10-percent automotive excise tax. Our industry was relieved to see the Congress reduce the automobile excise tax even though other industries fared far better. By comparison, the full 10-percent retailers' excise taxes on jewelry, furs, toilet preparations, and luggage were repealed completely in 1965 as were most of the manufacturers excise taxes and taxes on facilities and services.

Now the administration proposes to "temporarily" suspend, for a 2-year period, the January 1, 1966, reduction of the automobile excise tax from 7 to 6 percent and postpone the remaining reductions scheduled under the 1965 act by 2 years—until January 1, 1971, when the tax will finally drop to 1 percent. In addition, for the first time in the long history of the excise tax on automobiles, it is proposed that a 1-percent floor stock tax be applied to new cars in dealer inventory on the effective date of the change in rate.

This association is constrained to register, on behalf of our members and their customers, the car-buying public, its vehement opposition to these proposals for the reasons stated below.

At the outset, we wish to make it crystal clear that the members of our association, as loyal Americans, fully recognize the exigencies of the emergency situation presently confronting our country which require increased Federal revenues for our Government to meet its commitments in this difficult period of our Nation's history.

Our quarrel is not with the question of the need for additional Federal revenues. Rather, it is concerned with the source and the methods by which the administration proposes to realize these revenues—specifically, the administration's recommendation to increase by 1 percent the automotive excise tax for 2 years and to impose a floor stock tax on automobiles in dealers' inventories when the proposed 7-percent rate becomes effective.

I. It is discriminatory and inequitable to single out an essential commodity for increased taxes while ignoring luxury items as an alternative source of needed revenues.

With the exception of the proposed restoration of the excise tax on telephone service, only one other industry has been tapped to carry the burden of our increased national defense effort. Other than the purchase of a home, the purchase of a car represents the biggest single investment by the average taxpayer. Thus, the amount of excise tax on the purchase of an automobile—approximating \$160 on a new vehicle at a tax rate of 7 percent—is a significant cost factor to all new car purchasers and a particularly serious financial consideration to the 2½ million new car purchasers each year with incomes of less than \$7,500 per year, for most of whom a car is a necessity, not a luxury.

The President's proposal compounds the discrimination and inequity which presently exists in the excise tax treatment of automobiles vis-a-vis other articles, particularly those in the luxury category, which bear no tax whatsoever. As noted above, the 10-percent retailers' excise tax on jewelry and furs was completely eliminated last year and the manufacturers' excise tax on radio and television sets, musical instruments, sporting goods, photographic equipment, and other articles has been terminated.

Yet the automobile—a far more essential item than most of those enumerated above—was granted only a 3-percent reduction from the 10-percent tax last year and of the remaining 7-percent tax, 6 percent was scheduled for reduction in gradual stages through 1968, with a permanent retention of the final 1 percent on January 1, 1969.

This committee took specific note of the discriminatory aspects of the administration's recommendation last year that the excise tax on automobiles be reduced only from 10 to 5 percent with the 5 percent being made a permanent rate:

"In view of the fact that the administration proposal, apart from the auto tax, calls for the repeal of all excise taxes except those considered the equivalent of a user charge, those of a regulatory nature, and the sumptuary taxes on alcohol and tobacco, your committee concluded that it could not justify leaving the 5-percent tax on passenger cars" (H. Rept. 433, p. 18).

The fact that the committee, while concluding that "it was not appropriate to retain a 5-percent tax on passenger cars * * *", also recognized that "there are problems in the passenger car industry making undesirable too large a decrease in the tax as of any one time" in no way detracts from the essentially discriminatory nature of the gradual phaseout of the automobile excise tax as compared with the immediate and complete relief from excise taxes granted to other industries and purchasers of the taxed products of these industries.

If equity and fairness are valid criteria in evaluating the Federal excise tax structure, candor compels us to state that we can find little equity and less fairness in the President's proposal that only the purchasers of automobiles and the users of telephones be required to help the Government meet its financial needs while asking for no such comparable sacrifice by purchasers of either luxury items or of other far less essential commodities than the automobile or the telephone.

The fact that the automotive tax is a large revenue producer and is collectible with a minimum of administrative effort on the part of the Government is a patently flimsy basis on which to justify the selection of the automobile for discriminatory tax treatment. To do so violates every maxim of equality of tax treatment and of fairplay in the levy and collection of taxes.

II. Imposition of a floor stock tax would create innumerable difficulties for dealers and would saddle them with expensive and time-consuming administrative and compliance procedures which they should not be expected to bear.

At first glance, it might appear that the automobile dealer's interest in the proposed 1-percent increase in the automobile excise tax is merely tangential and not deserving of undue concern since the tax is to be passed on to the car purchaser. However, the administration also recommends that a floor stock tax be made applicable to new automobiles in dealer inventory on the date when the proposed 7-percent rate goes into effect.

Aside from our legitimate concern for the interests of our customers who are being singled out for discriminatory tax treatment, the proposed floor stock tax has an immediate and direct impact on every member of this association. For the mechanics of the floor stock tax make the dealer, in effect, a manufacturer and require him to play an analogous role to that of the manufacturer (with respect to the manufacturers excise tax) in computing, collecting, filing, and paying the floor stock tax to the Government. It is one thing to impose the administrative burden of the manufacturers excise tax on large automobile manufacturers who are well equipped with sophisticated machinery and technical experts to handle this workload. It is quite another thing, however, to place a similar burden with respect to the floor stock tax on a small businessman who lacks such machinery and employees capable of processing this type of work.

Perhaps the recognition of this distinction accounts for the refusal of Congress to impose a floor stock tax on automobiles ever since the first automotive excise tax was levied in 1917. In that connection, a little bit of history is informative. The tax was increased from 3 percent to 5 percent in 1919. After its repeal in 1928, it was reimposed at 3 percent in 1932, increased to 3½ percent in 1940 and raised to the permanent rate of 7 percent in 1941. A "temporary" 3-percent increase took place in 1951 and was continued from year to year by successive excise tax extension acts.

In all this period of time, not once did Congress see fit to impose a floor stock tax on the automobile, even though in 1956 a floor stock tax was imposed on trucks, truck trailers, buses, and other articles (sec. 4226, Internal Revenue Code of 1954, as amended).

Indicative of the burden imposed on the small dealer by the proposed floor stock tax is the fact that, of NADA's membership of more than 22,000 franchised car dealers, our research department has found that 16.5 percent of the dealers employ 1 to 3 persons, 20 percent have 4 to 7 employees, and 36.4 percent have 8 to 19 employees. Generally speaking, about 11 percent of dealership employees are engaged in clerical and office work. It is obvious, therefore, that in the smaller dealerships, the burden of this function falls almost certainly upon the dealer himself. To add tax collecting and recording duties to the already excessive amount of bookwork required of such dealers by the nature of the sales transaction of the automobile, the paperwork requirements imposed by his manufacturer, as well as the recordkeeping demanded by State and Federal Governments, is without question compounding an already difficult workload situation for these small, independent merchants.

This is particularly true when, as already noted, one realizes that the expense of the proposed floor stock tax collection is to be borne by the dealer. Despite the automotive prosperity which has been with us during the last 4 years, the dealers have not participated in any substantial way in the profits of this prosperity. Figures just completed for the year 1965 show that dealers averaged an operating profit as a percent of sales of 2.1 percent. It should be emphasized that this is a pretax figure.

Our data further reveals that some 12 percent of the dealers showed an operating loss for the year just ended. This is just twice the number who showed a loss during 1964.

The mechanics and timing involved in computing the increased tax on units in inventory on the effective date of the proposed tax increase will create additional difficulties for the dealer. It is beyond the scope of this brief presentation to review these problems here. Suffice it to say, however, that many technical problems can be anticipated.

One may legitimately question the wisdom of imposing a floor stock tax generating a relatively small amount of revenue when counterbalanced by the heavy expenditure of time, money, and inconvenience to dealers who must serve, in effect, as salaryless employees of the Federal Government in collecting and paying the floor stock tax.

In conclusion, if the Congress, in its consideration of the administration's proposals should decide, regardless of the discriminatory aspect of such decision, to reimpose a "temporary" additional 1-percent excise tax on new cars, then we strongly urge and recommend that the Congress definitely reject the administration's proposal of a floor stock tax in fairness to the small businessmen who would bear the brunt of computing, collecting, recording, and transmitting this 1-percent floor stock excise tax to the Treasury.

AMERICAN AUTOMOBILE ASSOCIATION,
Washington, D.C., January 19, 1966.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the American Automobile Association, I would like to express our disappointment in the President's tax recommendations regarding reimposition of automobile excise taxes.

While the AAA recognizes the need for additional revenue to support the war effort in Vietnam, we suggest that before the committee makes any decision regarding the President's recommendation to reimpose the excise tax on automobiles that other means of raising the necessary revenues be fully explored.

We recommend that the committee look to luxury items for its excise tax revenues rather than to items of necessity such as the automobile. At one time it could be said that the automobile was a luxury item, but this is certainly no longer true when one considers that 68 percent of all employed Americans use an automobile to travel to and from their places of employment.

Should the committee find it absolutely necessary to reimpose the excise tax on automobiles, the legislation should be explicit that the tax is on a temporary basis. Such legislation should contain a specific cutoff date of not more than 2 years, before its elimination, similar to the proposals outlined in the President's tax recommendations of January 13, 1966.

It is respectfully requested that this letter be included in the official record of the committee's hearings on this matter.

Sincerely,

GEORGE F. KACHLEIN, JR.,
Executive Vice President.

AMERICAN TELEPHONE & TELEGRAPH CO.,
New York, N.Y., January 28, 1966.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

MY DEAR MR. MILLS: This statement is respectfully submitted on behalf of the telephone companies of the Bell System to express our regret that the administration has recommended increasing the excise tax on local and long-distance telephone and teletypewriter services.

The action of the 89th Congress in reducing this tax from 10 to 3 percent, effective January 1 of this year, and providing for its elimination by 1969, was most welcome news to the Bell System's 45 million residential and business customers. Year after year, as the tax was extended, they had patiently awaited its removal. During the past month they have all been notified that the direct benefits of the long-awaited reduction are now at hand. We are sure there is widespread recognition of the country's need for additional revenues during the Vietnam emergency. On the other hand, there will be keen disappointment among our customers that reimposing the full 10-percent tax on telephone service has been chosen as a means of obtaining a substantial portion of these revenues.

If excise taxes on telephone service are to be increased in the present emergency, we earnestly request the emergency and temporary nature of the increase be made clear in the committee reports accompanying the legislative proposal and that specific provision be made to restore the present schedule of rate reductions not later than the January 1, 1968, date recommended by the administration. If additional revenues are still needed beyond that date, a solution other than continuing a discriminatory tax on telephone service should be found.

We have previously testified before your committee on a number of occasions urging the repeal of the telephone excise tax. The principal reasons we submitted in support of the repeal were: (1) The impact of the tax is heaviest on lower income groups; (2) the tax is levied on a necessity; (3) telephone service is the only household utility service on which a Federal excise tax is still imposed; (4) the tax adds to an already heavy tax burden carried by users of telephone service; and (5) it has been emphatically indicated that the public generally regards this tax as unfair and discriminatory, especially as it applies

to a service that is an essential, not a luxury. These reasons are equally applicable today.

We earnestly hope that whatever action is taken, your committee will give full recognition to the discriminatory nature of this undesirable tax.

Sincerely yours,

A. L. STOTT,
Vice President and Comptroller.

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION,
Washington, D.C., February 2, 1966.

Subject: Proposed restoration of Federal excise tax on communications services.

HON. WILBUR MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. MILLS: The National Telephone Cooperative Association represents 224 subscriber-owned telephone cooperatives in 31 States. These subscriber-owned cooperatives serve approximately one-half million telephone users.

This association expressed its opposition to the Federal excise tax on communications services before your committee on August 3, 1964. The reasons for our opposition to this tax remain unchanged and the reasons for its repeal continue to exist. We recognize the need for additional Federal revenues to support military activities and other programs. We feel, however, that to raise these revenues on a service as vital as communications is to our Nation and its people is to actually defeat the Great Society objectives. Increasing the cost of telephone usage detracts from important programs such as community development.

The proposal to restore communications excise taxes seems to us to be more a matter of expediency than of equity. To ask subscribers to a vital utility service to bear the major portion of the cost of increased activities on the domestic and military scene cannot be in the best interests of the Nation. A more general sharing on a more equitable basis would be preferable.

I respectfully request that you will take these views into consideration and include this letter as a part of the printed record.

Most sincerely,

DAVID C. FULLARTON,
Executive Manager.

J. CLIFF RAHEL & Co.,
Lincoln, Nebr., January 24, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR SIR: I am writing on behalf of my company and myself to express my deep concern over the stated intention to reinstate the higher excise tax rate for telephone service as outlined in the President's recent message. I believe this represents a complete discord with the original purpose of the tax, and in theory stretches the original definition and purpose of excise taxes.

Telephone service has long ago made the transition from a luxury item to a very vital part of our day-to-day business life. I think there are ample records to prove the increased business with the resulting tax benefits to the Government that have resulted by the increased volume of business made possible by rapid communication. Although my company is relatively small by comparison to others in our field, the combined telephone and telegraph services used by our firm generate billings in excess of \$4,000 a month, month in and month out. I strongly feel that taxes of this type are purely discriminatory against certain forms of business and cannot, by any stretch of imagination, be applied uniformly, and consequently is a poor way to create tax dollars.

I will appreciate your making these views known to the proper authorities during the forthcoming hearings.

Sincerely,

GEORGE E. KNACK,
Vice President.

AMERICAN HOSPITAL ASSOCIATION,
WASHINGTON SERVICE BUREAU,
Washington, D.C., January 25, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The House Committee on Ways and Means is currently holding hearings on the tax revisions proposed by the President in his state of the Union address of January 12, 1966. The American Hospital Association is deeply concerned with the possibility of restoration of excise taxes on telephone and teletypewriter services. The association represents most of the hospitals of this country and well over 90 percent of the voluntary nonprofit hospitals which would be adversely affected by any increase in taxes on telephone service.

As you know, any costs of operating hospitals must be borne by the patients, purchasers of hospital insurance, subscribers to hospital prepayment plans, Government agencies, charitable donors, or whoever actually pays for the patients' hospitalization. In the case of excise taxes on telephone services, we estimate that at the 10-percent level the voluntary nonprofit hospitals of this country which are subject to the tax will be paying out about \$6 million per year; at the 3-percent rate now in effect, these hospitals would expend about \$1.8 million a year. At either level of tax the burden is hard to justify because it falls primarily upon sick people whose costs of illness are already extremely high.

Your committee labored long and well to produce Public Law 89-97. Under this legislation, commencing July 1, 1966, the Federal Government will be assuming most of the hospital costs of the aged and, as a consequence, will be paying about 25 percent of all hospital bills. It is in the best interests of the Federal Government to avoid any unnecessary strain upon the hospital insurance trust fund created by Public Law 89-97. Certainly, the excise tax upon hospital telephone service provides no benefits to the patient. To tax hospitals in this way increases the cost of hospital care as well as the financial demands upon the many Government programs which purchase hospital care for their beneficiaries—all without contributing anything to improve the care of any patients.

We again point out that governmental hospitals retain an exemption from the obligation to pay excise taxes on telephone service. There is, of course, no discernible difference to the patient as between governmental and nongovernmental nonprofit hospitals. It is patently unfair to tax one kind of hospital and not the other since the burden falls upon the innocent patients whose physicians have chosen to place them in nongovernmental hospitals. The solution is to exempt all nonprofit hospitals from excise tax burdens.

The statutes now also contain an exemption for nonprofit educational institutions. Although many voluntary nonprofit hospitals conduct extensive educational programs, they generally do not qualify as educational institutions for purposes of enjoying the exemption from payment of certain excise taxes. Here, again, there is a discrimination against hospitals which is impossible to justify. After all, hospitalized patients are as much in need of keeping down the cost of their care as students in private nonprofit educational institutions are in need of restraints on the rise of their tuition rates.

If the excise tax on telephone services were to be retained at 3 percent this year rather than restored to 10 percent, the tax loss to the Treasury would be negligible. For calendar year 1966, were the 10 percent rate to be in force for 8 months, the Treasury would gain some \$2.2 million from hospitals. To the hospitals and their patients this is a significant sum but to the Treasury it is not. We suggest that the Treasury, in the national interest, would do well to refrain from collecting this oppressive and troublesome tax in order to provide some small relief to the financially strained patients being cared for in the Nation's voluntary nonprofit hospitals.

For the foregoing reasons the American Hospital Association respectfully requests that a specific exemption be granted to voluntary nonprofit hospitals so that any restoration of previous levels of excise tax rates will not apply to these institutions. Hospitals have been willing to endure the current 3-percent rate on telephone service in the knowledge that within less than 3 years it would be reduced to zero. Now it appears we must reemphasize our plea that excise

taxes upon goods and services purchased by hospitals are completely unjustified under any rational theory.

We would like this letter to be included as a part of the record of hearings on the President's 1966 tax proposals.

Sincerely yours,

KENNETH WILLIAMSON,
Associate Director.

I.O.O.F., JURISDICTION OF NEBRASKA,
York, Nebr., January 25, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR SIR: We wish to ask that our position concerning the proposed replacement of the excise tax on the telephone. We are a nonprofit organization depending on donations and a per capita tax from our members to support a home for the aged. In our small operation the tax on our phone amounted to more dollars than it cost to care for one aged resident in our home.

I am writing to the Representatives and Senators from the State of Nebraska asking they vote against this proposal. I hope that you will take conditions like ours into consideration when making your recommendation to Congress.

Thank you,

VIRGIL M. CARTER,
Grand Secretary.

AMERICAN ELECTRIC POWER Co., INC.,
New York, N.Y., January 31, 1966.

HON. WILBUR D. MILLS,
*House of Representatives,
Washington, D.C.*

DEAR MR. MILLS: Our tax counsel, who follows legislative proposals in the tax field, has sent me the enclosed memorandum on the Treasury Department's proposal for a system of graduated rates for withholding of Federal income tax. It is his conclusion that the objective of this proposal—to put more taxpayers on a pay-as-you-go basis—is a highly constructive one but that, insofar as the proposal would result in increased overwithholding, it would create new hardships and inequities. He has, accordingly, suggested a modification which would eliminate such inequities while fully preserving the principle of pay as you go.

It does seem to me that the points made in this memorandum are wholly valid, that increased overwithholding would create unnecessary hardship, and that, if possible, something should be done to eliminate or minimize the inequity which would otherwise result. It also seems to me that the proposed modification would be a relatively simple way of doing the job. I think, therefore, that the memorandum is well worth your consideration.

I have sent a similar letter to Senator Hartke and to Senator McCarthy, who, I know, are very much interested in this matter.

Sincerely yours,

DONALD C. COOK, *President.*

A SUGGESTED MODIFICATION TO ELIMINATE INEQUITIES CREATED BY SUCH PROPOSAL

1. The proposal for increased withholding

At present, withholding of Federal income tax from wages is at a flat 14-percent rate. It is proposed to substitute a system of graduated rates ranging from 14 to 30 percent.

2. The effect of the proposal

According to the Treasury presentation to the Ways and Means Committee, the present flat withholding rate of 14 percent leads to overwithholding of \$6 billion from nearly 37 million employees and to underwithholding of about \$2.4 billion from 14 million employees.

Under the administration's proposal, overwithholding in the lower wage brackets would be corrected by multiplying the number of personal exemptions

by \$700 (rather than by the \$600 actual personal exemption) and by eliminating withholding on the first \$200 of wages after deducting for exemptions. The Treasury states that the number of overwithheld low-income employees (under \$5,000) would be cut by almost 13 million.

On the other hand, the Treasury states that net overwithholding would actually be increased by \$50 million. And, in Secretary Fowler's testimony before the Ways and Means Committee, he stated that there would be an increase of \$570 million in overwithholding for the income group above \$10,000.

3. The inequities created by an increase in forced overwithholding

We believe the proposal is highly constructive in the instances in which it would reduce overwithholding and underwithholding. But the increased overwithholding for many wage earners and the net increase in overwithholding would create new hardships and inequities and is not consistent with the objectives of the graduated withholding proposal as a pay-as-you-go tax system.

It is highly inequitable to exact from wage earners taxpayments which are in excess of their tax liabilities. The employer is required to increase deductions from the wage earner's salary and pay over to the Treasury money belonging to the wage earner which the wage earner does not owe in tax. In order to avoid a current reduction in his cash income, the wage earner may be compelled to borrow the amounts involved. And the inequity is compounded by the fact that, under section 6611(e) of the code, interest is not paid on a refund made by May 30 of the following year. Thus, in effect, overwithholding compels a wage earner to pay over money he does not owe and which he cannot recover for as long as 17 months—and he does not even receive interest on this money for the 17 months during which the Treasury has held it.

Increased withholding, with no means of relief, also creates additional inequities as between wage earners and the self-employed. The latter, in estimating their tax and making their payments of estimated tax, are permitted to take into account any and all allowable deductions, including offsetting anticipated losses from one business against the profits of another.

The hardships and inequities which the proposal would cause are pointed out in an editorial in the Washington Post of January 17, 1966, a copy of which is attached.

4. A suggestion for preserving the principle of pay as you go while eliminating major inequities

The principle of graduated withholding is in general sound. In his statement to the Ways and Means Committee, Secretary Fowler noted that a very substantial proportion of our citizens regard a pay-as-you-go tax system as a convenience, not as a penalty, since for many people it obviates the necessity of making substantial payment when the return is filed.

But all of the advantages and equity of pay as you go can be retained, while at the same time eliminating the hardship and injustice of forced overwithholding. This can be done by giving a wage earner, who believes that withholding in accordance with the graduated rate system would result in a material overpayment of the tax owed by him, the option of filing a statement of his estimated tax and providing that, upon the filing of such a statement, amounts withheld by the employer would not exceed the employee's estimate of his tax liability for the year.¹

More specifically, the employee would file, usually at the beginning of the calendar year (say by January 15), a written form, executed under the penalties of perjury, with the Internal Revenue Service, with a copy to his employer, stating his estimate of the full tax which he will owe for the year on income

¹ Such statement would be in addition to, and not in substitution for, the present system of filing a declaration of estimated income tax on form 1040-ES by Apr. 15, which would be continued. The form 1040-ES filings are, of course, applicable for all taxpayers—whether wage earners or self-employed. Moreover, some leeway is permitted in the amount of tax declared on form 1040-ES, which is, in the case of a wage earner, often paid through a combination of withholding and direct payments of estimated tax, as compared with the amount shown on the later filed return for the taxable year. In general, under sec. 6654 of the code, no penalty is incurred if the estimated tax on form 1040-ES is at least 70 percent of the tax shown on the return.

The suggested new and additional form related to maximum withholding would declare the entire amount of estimated tax for the year on income from all sources and the employee would be subject to penalty for any additional tax shown on the return to the extent of any difference between the amount withheld from wages and the amount which would have been withheld under the graduated system.

from all sources. Since the form would be filed only if the employee estimates that his full tax liability for the year will be less than the amount which would be withheld under the graduated rate system, the employer would withhold, spread over the year's payroll periods, an amount equal to the employee's estimate of his tax liability.

The filing of the new form would be entirely optional; it would be filed only by wage earners who estimate that withholding at the generally prescribed rates would result in overpayment and are prepared, under appropriate penalties for underestimating, to file a declaration so stating.

While the new form would normally be filed at the beginning of the year, either an original or an amended form could be filed later in the year to take care of a change in circumstances leading either (1) to a decrease, or (2) to an increase, in estimated tax liability.

Upon the filing of an original form other than at the beginning of the year (for example, later than January 15) or an amended form, the employer would be authorized either to reduce or to increase amounts to be withheld for the balance of the year, so that the total amount withheld during the year would accord with the employee's revised estimate of his tax liability.

Additional tax liability shown on the return for the year, to the extent of the difference between the tax withheld and the tax which would have been withheld under the generally prescribed rates for withholding, would be subject to the 6-percent penalty for underpayment of estimated tax, and perhaps an even higher penalty would be appropriate. This should lead to estimates of tax liability on the high side rather than on the low side.

Affording such a means of relief from overwithholding would, it is believed, have a minor effect on the revenues, since not all those subject to overwithholding under the general prescribed rates would choose to avail themselves of the right to reduce withholding—and, in any event, the net effect would be only to reduce withholding of amounts not owed to the Government and which, if withheld, would eventually have to be refunded to the taxpayer.

5. Conclusion

The proposal for a system of graduated rates for withholding has the salutary objective of putting more taxpayers on a pay-as-you-go basis. Unless modified, it will, however, result in the burdens and inequities of increased overwithholding for many wage earners. The proposed modification would eliminate such burdens and inequities while fully preserving and, indeed, strengthening the principle of pay as you go.

[From the Washington Post, Jan. 17, 1966]

GRADUATED WITHHOLDING

The administration proposes to realize \$495 million more in receipts during fiscal 1966 and 1967 by introducing graduated withholding taxes on wages and salaries. Under the present law the withholding tax rate is set at a flat 14 percent on wages or salaries, less dependency allowances and a fixed deduction. The Treasury would change this. For example, a married couple earning between \$8,800 and \$17,700 would have a withholding tax of \$1,368, plus 20 percent of wages in excess of \$8,800. A couple with earnings of \$25,000 would have \$4,223 withheld, plus 30 percent of that in excess of \$22,000.

According to the Treasury, the graduated withholding scheme "would relieve many taxpayers of the problem of having to pay large, and often unanticipated, lump-sum amounts on their income taxes." True, but the equity of the proposal diminishes to the extent that it results in the overwithholding of taxes. When a taxpayer is slow in meeting his obligations to the Treasury, he is penalized by having to pay a stiff interest charge. Unfortunately, the relationship is not symmetrical: when the Treasury overwithholds and deprives a taxpayer of the use of his own money, it is not required to pay interest. And while progress has been made in speeding up tax refunds, there can still be painful delays.

According to the Treasury's estimates, the graduated tax scheme would have little effect on withholding from those with taxable incomes of less than \$10,000. For those over \$10,000, the impact is dramatic and in the wrong direction. The amount of overwithholding, according to the Treasury, would increase by \$570 million, and that estimate is an understatement insofar as it fails to take into account the full deductions that are usually claimed in those brackets.

A plan that deliberately overwithholds income from a segment of taxpayers is hardly equitable. Moreover, the graduated withholding scheme will impose a heavy burden on business. For even where payrolls are electronically processed, the graduated schedules may tax the capacity of many computers now in use.

If the Federal Government needs more revenue, and it well may in order to check inflationary pressures, income tax rates should be temporarily raised. A request for a tax boost, or standby authority to impose one subject to a simple majority veto of the Congress, would be far preferable to tinkering with the withholding tax rates. The advantages of accelerating personal tax collections would be more than nullified by the inequities of overwithholding.

STATEMENT OF COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK, INC., CONCERNING THE PRESIDENT'S TAX PROPOSALS

Commerce & Industry Association of New York, Inc., is the largest service chamber of commerce in the United States. With a membership of 3,500 representing a cross section of American business and industry both as to size and nature of enterprise, the association expresses the views of the composite business community. On behalf of its members, the association is highly sensitive to the direct and indirect impact of matters of taxation and Government finances on the members of the business community.

SUMMARY OF COMMENTS

1. Proposal for income tax withholding at progressive rates: Amendment recommended.

2. Amendment of Internal Revenue Code section 217 regarding employees' moving expenses recommended for inclusion in legislation.

In sum, the President proposes to augment national tax revenue collection during the 1966 and 1967 fiscal years by establishing tax rate increases and by accelerating the payment of certain taxes.

The condition of the national economy suggests the pertinence of one point of this association's four-point declaration of policy issued in 1963 with regard to income tax rate reduction then under consideration by the Congress. The association said:

"We believe that it is imperative that the Government furnish convincing evidence of its firm determination to curtail Government spending sufficiently to assure a balanced budget in the near future. Unless it does, the great benefits of a substantial tax rate reduction will be nullified by the increase in the deficit attributable to the tax rate reduction. Any possible growth in revenues cannot achieve a balanced budget if its expenditures grow at an equal or greater pace."

The statement is quoted without change. With appropriate substitution of language to fit today's situation that observation is as valid now as it was when made. Moreover, intervening events have demonstrated its truth.

1. Income tax withholding at progressive rates—Amendment recommended

In principle Commerce & Industry Association concurs with the President's proposal to provide for income tax withholding at progressive rates. It is not necessary to dwell on the advantages of that system. Certainly those taxpayers who would be relieved of the necessity of filing estimates and making periodic payments of the amounts estimated would achieve an administrative benefit. However, according to the figures submitted, taxpayers in the \$5,000 to \$25,000 class would be overwithheld. It seems unfair to seek to put them on a fully current basis for paying taxes by providing schedules that actually require overpayment of tax because the proposed withholding table embraces an assumed deduction level equal to 10 percent of income, when experience shows that in those brackets the average is higher.

The solution does not lie in selecting a higher deduction ratio arbitrarily. Instead the tables should assume deductions at a level in line with actual experience demonstrated by statistics collected by the Treasury Department.

Even if the tables were revised in accordance with experience regarding deductions, overwithholding would not be avoided in all instances. Taxpayers whose itemized deductions exceed demonstrated averages by a material amount are entitled to relief from overwithholding. That relief can be provided by authorization in the law for reduction of withholding in the case of an employee who

certifies to his employer that his deductions for any tax year in question will exceed the estimates used in the table.

To make income tax withholding at progressive rates equitable, it is essential that the estimated deductions on which the tax to be withheld would be based be set at a level in line with experience and that a special provision for employees whose deductions exceed the average should be incorporated in the law. With those changes, the proposal is approved.

AMENDMENT REGARDING INTERNAL REVENUE CODE TREATMENT OF EMPLOYEES'
MOVING EXPENSES RECOMMENDED FOR INCLUSION IN LEGISLATION

The President's proposals are confined to rates and procedures. Accordingly, it may be argued that legislation embodying those proposals should not include substantive changes. This association agrees with the logic of that position for it is precisely the argument that it advanced in regard to the bill which was enacted as the Revenue Act of 1964. That act, besides providing for reduced income tax rates, embraced a multitude of substantive changes. Under the circumstances it appears that logic should yield to precedent, particularly when the substantive amendment is needed urgently.

2. *Employees' moving expenses*

One of the substantive changes made by the Revenue Act of 1964 was the insertion in the code of a definition of employees' expenses of moving from one place of employment to another, such expenses to be deductible if not reimbursed. The Treasury applies the same tests in determining whether reimbursements of moving expenses are excludable from income. That definition is narrow and unrealistic. It is ridiculous to assume that an employee moving from one employment station to another realizes income if his moving expenses are paid by his employer. In actuality, no employee making such a move profits financially in such a case unless his employer deliberately overreimburses him as a device intended to provide compensation unrelated to the amount of expense.

Even if the assumption were correct, it would call for a broader definition of moving expenses for which reimbursements are excludable than the one now provided. A more realistic definition is necessary—one that recognizes that employers, in granting their employees allowances for moving expenses, intend such payments to be reimbursements of necessary expenses rather than extra compensation. Even in optimum circumstances an employee making a transfer may sustain actual financial loss through costs that the most generous reimbursement policy does not cover.

The legislation embracing the President's proposals should include an amendment of the Internal Revenue Code defining moving expense reimbursements realistically so that an employee incurring expenses in making a transfer from one employment station to another at the request of his employer would not find that he has incurred a tax liability due to technical disqualification of some of his expenses.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 1, 1966.

HON. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: The attached letter is respectfully submitted for inclusion in the hearings on the proposed system of graduated withholding tax.

Sincerely,

JAMES H. QUILLEN.

THE BERKLINE CORP.,
Morristown, Tenn., January 28, 1966

Representative JAMES H. QUILLEN,
New House Office Building,
Washington, D.C.

DEAR CONGRESSMAN QUILLEN: The proposed system of graduated withholding tax that may become effective on May 1 would cause definite problems in our operations and in those of other manufacturers in Morristown. Our company

is not opposed to the idea of graduated rates and, under present circumstances, feel they are desirable. However, we do feel that the methods proposed to accomplish this leave room for a great deal of simplification.

We have studied the proposed system and find that on both our payroll system using a Univac computer and on our smaller manual payroll that it would be difficult to handle. We feel that the present system of a flat percentage on all amounts could be modified by establishing a simple series of percentages to be applied to wages after personal exemptions. Wage tables for these percentages for payroll periods (weekly, biweekly, etc.) could then be established in exactly the same manner as is now done for the single 14-percent table.

This simplification would not be quite as accurate as the Treasury proposal but would allow accomplishing the same result with a minimum of increased administrative expense. The proposed establishment of different rates for married and single taxpayers is particularly objectionable as it requires the addition and maintenance of marital status records in most payroll sections instead of only in personnel records.

I have discussed this with other local manufacturers utilizing manual payroll methods and we all feel that a considerably more simplified method could be developed. The statement has been publicized that the proposed method can be easily handled on computers but this is definitely not true. We would have a lesser problem than employers with manual payrolls but this would still require considerable additional work.

Please note that we are not objecting to the principle of graduated rates but only to the high unnecessary expense required to attain a small amount of additional accuracy during the year. Since the actual taxes are adjusted and paid correctly when the tax return is filed there is no need to incur this expense.

Sincerely yours,

LAWRENCE W. WHALEN, Jr.,
Plant Controller.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., January 28, 1966.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: The enclosed letter, which is self-explanatory, is a copy of one which I have received from one of my constituents with regard to certain of the President's tax proposals.

Knowing that your committee is presently considering these proposals, it is requested that Mr. Johnson's letter be made a part of the hearings on the subject.

Thanking you, and with best wishes, I am

Sincerely,

EARLE CABELL,
Member of Congress.

DALLAS, TEX., *January 19, 1966.*

HON. EARLE CABELL,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR MR. CABELL: After reading the President's state of the Union message, I noticed that it is proposed that the withholding of employee income taxes be on a graduated basis. Based upon information which has been published subsequent to the President's message, it appears that the lower income group will not have any changes made; however, those wage earners who have an income of \$10,000 or more will be required to pay considerable more tax than their ultimate liability will be. It, therefore, appears that the Government is seeking to borrow money from its citizens without the benefit of an interest obligation. The proposed change in withholding will have a rather serious effect upon those wage earners who have outside interests and who itemize their deductions. In

my particular case, I estimate that the amount of tax withheld will be considerably in excess of my ultimate liability.

I certainly recognize that the Government needs to and should do everything it can to more nearly level out the actual tax liability of an individual; however, it does not appear proper for the Government to utilize an employee's money any more than is it proper for an employee to underpay his obligation to any great extent. It, therefore, appears that the general objective could be accomplished by tightening up on the methods used in the preparation and filing of declarations; that is to say, it appears that individuals in certain income brackets could be made to estimate their income closer and to pay their tax quarterly. If there was more than a certain percentage of difference between the actual amount of taxes declared and paid, as compared with the ultimate liability, then some sort of penalty might be assessed. In any event, I certainly feel that there must be some other way to make the collection of taxes more equitable than that proposed in the President's message.

I recognize that you have many, many problems confronting you in the Congress these days. However, I feel that the particular problem which I have enumerated above is of such importance that it warrants your diligent efforts in seeing to it that the proposed change is defeated when a bill is presented for a vote.

Sincerely yours,

WILLIAM H. JOHNSON.

THELEN, MARRIN, JOHNSON & BRIDGES,

ATTORNEYS AT LAW,

San Francisco, January 26, 1966.

Re proposed withholding tax increase.

HON. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: This letter is to protest the form that is being suggested by the Treasury for the new graduated withholding tax for individuals.

Referring to table 4 of the proposal as submitted to your committee by Secretary Fowler, it is stated that overwithholding of income tax for wage earners presently amounts to \$6 billion per year. This is one-sixth of all withholding receipts, according to the Treasury figures, and represents a forced loan to the Government by the taxpayers overwithheld. Far from correcting this situation, the proposal plans to add \$50 million to this amount.

As a practicing tax attorney and salaried employee, it is my belief that this involuntary loan to the Government each year is financed primarily by employees earning between \$10,000 and \$25,000 per year. This is supported by the Treasury's own figures. The conclusions reached in tables 1, 2, and 3 of the same submission are erroneous as they are based upon the assumption (footnote 1 of each table) that the taxpayers' deductions amount to 10 percent of his income. The Treasury does not have to assume as it has run numerous studies showing that the average itemized deductions over the entire country for taxpayers between \$10,000 and \$20,000 gross income is in excess of \$2,500 each. This conclusion is borne out by the figures at the bottom of table 4 showing that the Treasury proposes to nearly double the overwithholding in the category of wage earner taxpayers with income of over \$10,000.

The result is particularly inequitable as no proposal is being made to tighten the rules on estimated taxpayments. Larger taxpayers have complete control over their current payments against taxes by virtue of the very liberal rules on underestimation of tax. There is virtually no "overwithholding" in their case. It has long been my view that the middle taxpayer (between \$10,000 and \$20,000 per year) bears the heaviest relative tax impact of any income group. This same group will now have a sharp increase in withholding, amounting to \$570 million, in order to generate \$400 million in additional revenue for 1967. This proposal will aggravate the situation and amounts to forced financing of the 1967 budget by a very narrow group already bearing a disproportionate tax.

Your consideration of this objection is greatly appreciated.

Respectfully submitted.

BRUCE MORGAN.

PALMER DODGE GARDNER & BRADFORD,
Boston, Mass., January 24, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

MY DEAR MR. CHAIRMAN: The President's proposal of a graduated income tax withholding system will, if adopted in its present form, substantially increase the cash payment hardship now borne by divorced persons.

Under present law, the divorced husband is subject to withholding upon his entire wage income, with only a single exemption, even though at the end of the year he is entitled to a deduction for alimony paid under section 215. At the same time, the wife must file a declaration of estimated tax, paying at least 70 percent of her income tax liability for the year. A graduated withholding tax will greatly increase the combined overpayments of husband and wife.

The enclosed table I illustrates the effect of the proposed law at four different levels of husband's gross income, showing combined overpayments ranging from \$351 to \$2,190 at gross income levels of \$5,000 and \$20,000, respectively.

PROPOSALS

Enclosed as exhibit A is a suggested additional section for the 1966 revenue bill. This section is designed to—

(1) Permit the husband to have withholding based upon exemptions for himself and his former wife and as if his status were that of a married individual.

(2) Permit the wife, with the consent of the husband, to receive credit for the husband's excess withholding tax, thus avoiding the necessity of filing a declaration of estimated tax.

The effect of these proposals is illustrated in the enclosed table II. Table III shows a sample computation of the entries in table II.

ADVANTAGES OF PROPOSAL

The advantages of the proposal are—

(1) Equity to taxpayers by eliminating excess cash payments by taxpayers who often are already heavily burdened financially by their divorced status.

(2) Elimination of administrative workload of the Internal Revenue Service in making large refunds and reviewing estimated tax declarations of divorced wives.

(3) An easy and automatic method of prepaying the tax liability of the wife.

POSSIBLE DISADVANTAGE

The proposal for crediting the husband's overpayment to the wife may cause administrative problems. It is suggested that these will be more than offset by elimination of estimated tax declarations.

The regulations might require the preparation of a credit transfer form in triplicate, copies 1 and 2 to be attached to the husband's return, and copy 3 to be given to wife to attach to her return. Copy 2 would then be compared with copy 3 in the District Director's office.

This comparison will not impose additional workload since the Internal Revenue Service now compares the returns of divorced couples to insure that the deduction under section 215 corresponds with the income included under section 71. A space on the credit transfer form for reporting of alimony paid may simplify the existing task of comparison.

It is requested that this proposal be considered during the current hearings upon the 1966 revenue bill. A copy of this letter is being sent to the Assistant Secretary of the Treasury and to the Chief Counsel of the Internal Revenue Service.

Respectfully submitted.

ROBERT J. MCGEE.

EXHIBIT A

SEC. —. ADDITIONAL EXEMPTIONS AND CREDITS.

(a) **ADDITIONAL EXEMPTION.**—Paragraph (1) of section 3402(f) is amended by adding thereto a new subparagraph (F) to read as follows:

“(F) in the case of a husband described in section 71 an exemption for his wife, but only if on the basis of facts existing at the beginning of such day (including the allowance of this exemption) it may reasonably be expected that the total amount to be withheld under this chapter and allowable as a credit under section 31 will, by reason of the deduction allowable under section 215, equal or exceed the tax imposed by chapter 1 for the taxable year with respect to which such credit is allowable. A husband entitled to an exemption under this subparagraph shall be treated as a married individual for purposes of this chapter.

(b) **TRANSFER OF CREDIT.**—Section 31 is amended by adding thereto a new subsection (c) to read as follows:

“(c) **CREDIT TO WIFE FOR HUSBAND’S OVERPAYMENT.**—In the case of a wife described in section 71 the amount of any overpayment of tax described in section 6401(b), (by her husband) with respect to the taxable year of the husband ending within or with the taxable year of the wife, shall be allowed as a credit for such taxable year of the wife to the extent that the husband has directed (under regulations prescribed by the secretary or his delegate) that such overpayment or any part thereof be treated as a credit under this section.”

(c) **DEFINITIONS.**—Paragraph (17) of section 7701(a) is amended by striking out “As used in sections 71, 152(b) (4), 215 and 682” and inserting in lieu thereof. “As used in sections 31(c) 71, 152(b) (4), 215, 682, and 3402(f) (1) (F).”

TABLE I.—*Wife receiving 50 percent of husband's gross income for support of self and 2 dependent children*

Gross income	Husband		Wife		Combined overpayment (b+d-a-c)
	Tax (a)	Withheld (b)	Tax (c)	Estimated tax payments (d)	
\$5,000.....	\$293	\$672	\$28	0	\$351
\$10,000.....	778	1,694	426	\$298	788
\$15,000.....	1,355	3,109	850	595	1,499
\$20,000.....	2,022	4,609	1,324	927	2,190

TABLE II.—*Tax effect of exhibit A— Wife receiving 50 percent of husband's gross income for support of self and 2 dependent children*

Gross income	Husband		Wife		Combined overpayment
	Tax	Withheld	Tax	Estimated payments	
\$5,000.....	\$293	\$500	\$28	0	\$179
\$10,000.....	778	1,334	426	0	130
\$15,000.....	1,355	2,328	850	0	123
\$20,000.....	2,022	3,373	1,324	0	27

TABLE III.—*Sample computation*

Husband:		
Gross income	\$15,000	
Deduction (sec. 215) ¹	7,500	
Subtotal	7,500	
Personal exemption	600	
Taxable income	6,900	
Tax		\$1,355
Withheld		2,328
Overpayment		973
Wife:		
Gross income	7,500	
Standard deduction	750	
Subtotal	6,750	
Exemptions (3)	1,800	
Taxable income	4,950	
Tax (head of household)		850
Credit of husband's overpayment		850
Tax due		0
Refund to husband		123

¹ It is assumed that there are no other itemized deductions. Any such deductions will further decrease the tax liability.

The CHAIRMAN. This concludes the calendar for today.

Without objection, the committee will adjourn until 10 o'clock Tuesday morning next.

(Whereupon, at 11:04 a.m., the committee adjourned, to reconvene at 10 a.m., Tuesday, February 1, 1966.)

1966 TAX PROPOSALS OF THE PRESIDENT

TUESDAY, FEBRUARY 1, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Eugene J. Keogh presiding.

Mr. KEOGH. The committee will be in order.

We are pleased to have before us this morning Mr. Charles L. Schultze, Director of the Bureau of the Budget.

STATEMENT OF HON. CHARLES L. SCHULTZE, DIRECTOR, BUREAU OF THE BUDGET; ACCOMPANIED BY HON. SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW; HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY; HON. PETER STERNLIGHT, DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS; AND HON. STANLEY SURREY, ASSISTANT SECRETARY FOR TAX POLICY

Mr. SCHULTZE. Mr. Chairman and members of the committee, I am happy to have the opportunity to appear before this committee—my first appearance here as Budget Director—to assist in your consideration of the revenue measures recommended by the President.

As you know, these proposals were developed in the context of the overall budgetary and economic prospects which we face over the next 18 months.

Formulation of the 1967 budget obviously involved a number of difficult issues, related primarily to the situation in Vietnam.

First, the costs of the buildup in military forces and economic assistance in Vietnam are estimated at \$10½ billion in 1967—up \$5.8 billion from 1966 and \$10.4 billion from 1965.

Second, the ultimate course of events in Vietnam is highly uncertain. What happens there depends not only upon our own action but also upon those of our adversaries.

The expenditures presented in the budget represent our best estimate of those costs as we now foresee them. But expenditures could be higher or lower.

Third, as a January 1961 report of the Bureau of the Budget—issued under one of my predecessors, Mr. Maurice Stans—pointed out, Federal nondefense expenditures can be expected to rise by \$2 billion to \$2½ billion each year due to growing workloads accompanying increasing population and income.

Fourth, the economy is growing strongly and in a balanced fashion. But compared to the situation several years ago, or even last year, the degree of unused plant and industrial capacity has been significantly reduced.

Under these circumstances, the President could have—

Let Vietnam expenditure increases be added to the normal growth in other Federal expenditures, proposed no tax measures, and presented the Congress with a deficit amounting to \$9 billion or more; or

Proposed substantial increases in corporate, personal, or other tax rates to meet the added—though uncertain—expenditure estimate.

Neither of these courses appeared wise. The first, because it would have meant a very substantial deficit and threatened economic stability. The second, because the situation does not now warrant a major shift in our tax structure.

The President chose a third course—

Budget expenditures outside the costs of Vietnam are held to a minimal increase of only \$0.6 billion; necessary increases are financed primarily through reductions and savings elsewhere.

Adjustments in tax collection procedures and postponement of scheduled excise reductions are proposed, which, taken together, will yield an additional \$4.8 billion in revenues in fiscal 1967.

In combination, expenditure control and tax measures will reduce a threatened deficit of over \$9 billion to one of only \$1.8 billion and produce in the cash budget a half billion dollar surplus.

As the President indicated in his budget and economic messages, he is prepared to adjust his budget requests should conditions in Vietnam require. Should additional funds be necessary or should unforeseen inflationary pressures occur, he will propose whatever fiscal measures are warranted to maintain economic stability.

Since Secretary Fowler is here, I believe I can be most helpful by summarizing the highlights of the expenditure aspects in the 1967 budget. I have attached to my statement, for ready reference, a summary of the administrative budget and consolidated cash totals.

Expenditure summary: As the President pointed out in his letter of January 19 to Chairman Mills, we developed the budget recommendations under instructions that first, expenditures would be held to a minimum; second, outmoded, and obsolete activities would be curtailed or eliminated; and third, essential activities would be conducted as efficiently as possible and at the lowest possible cost.

The objective of these instructions was to insure that unavoidable increases in expenditures and increases necessary to move ahead prudently with vital domestic programs would, to the maximum possible extent, be financed by reductions and savings elsewhere in the budget.

These instructions were carried out within the setting that, barring a drastic change in the situation in Vietnam, we would be faced with heavy added outlays as a result of the increased tempo of the conflict there.

The objective of the instructions was reached. The increase in expenditures next year, apart from the special costs of Vietnam operations, amount to only \$0.6 billion, about one-half of 1 percent. Total administrative budget expenditures are estimated to increase from

\$106.4 billion in the current fiscal year to \$112.8 billion in 1967. Of the \$6.4 billion estimated year-to-year increase, \$5.8 billion is for added Vietnam outlays and \$0.6 billion is for all the other functions of the Government.

This should not be taken to mean that all Government programs uniformly were held about level. Actually, within the \$0.6 billion net increase, there are \$5.3 billion of increases and \$4.7 billion of decreases. The \$5.3 billion increase consists of (1) \$3.2 billion for education, health, housing, and antipoverty programs; (2) \$1.1 billion for higher interest costs and the added costs over 1966 of the military and civilian employee pay raises enacted in 1965; and (3) \$1 billion for unavoidable workload increases and fixed commitments, such as payments coming due under construction contracts made in earlier years.

Against these increases, we have the \$4.7 billion of reductions I have mentioned. These include savings of \$1.6 billion in Defense outside of Vietnam, and of \$1½ billion in civilian agencies—savings realized primarily as a result of pruning lower priority activities, of cost reduction efforts, and of management improvements.

The remaining \$1.6 billion reduction is estimated to stem from increased sales of mortgages and other financial assets or conversion of direct Federal loans to guaranteed loans. These are the major elements which show how the \$0.6 billion net increase in expenditures apart from Vietnam is derived.

There are a few special points I would like to make about these elements.

First, with respect to the education, health, and similar programs, the figure of \$3.2 billion which I cited is a gross figure. In some of our education programs, for example, we are proposing asset sales and conversion to guarantees. These proposals amount to \$1.1 billion, so that on a net basis—the increase over 1966 for Great Society programs is \$2.1 billion.

Second, the administration's effort to substitute private for public credit wherever consistent with program objectives is in line with policies expressed by the last three Presidents. The members of this committee have, in the past, given the administration bipartisan approval of its efforts to increase private participation in Federal lending programs, and we look to your further support this year.

As shown in a summary table on page 426 of the 1967 budget, \$1.6 billion of financial assets were sold in fiscal year 1965. A portion of the projected sales of \$3.3 billion in 1966 and \$4.7 billion in 1967 will require enactment of legislation authorizing sales of participations in pools of loans of various agencies.

Third, I would like to note that the cost reduction programs now underway throughout the Government are paying off by producing sizable savings. If we did not have formal efforts underway in the Department of Defense and in the civilian agencies to reduce costs and increase productivity, the budget costs in both 1966 and 1967 would be some \$3 billion higher than they are for the same services.

Thus, the President's unrelenting insistence on cost-consciousness at all levels of Government is bearing fruit. And he has served notice that he intends to push even harder this year for improved efficiency and economy in Government operations.

Composition of expenditures: I would like to take the next few minutes to run through a few major features of the program composition of the 1967 budget.

The heavy military costs provided for in the budget represent our best current estimate of the requirements for meeting our commitments in southeast Asia.

As I indicated earlier, if a just settlement can be achieved, as we all hope, we will not have to spend these amounts as budgeted. However, we must be prepared to do so if hostilities continue.

At the same time, President Johnson is convinced that the Nation must continue to move forward with high priority domestic programs if we are to remain strong and promote growth and prosperity at home. The savings we have been able to achieve in lower priority activities are enabling us—without unduly increasing expenditures—to make further advances in the fields of health, education, housing, community development, beautification, and the elimination of poverty.

Between 1964 and 1967, the composition of the Federal budget will undergo significant changes. Excluding special Vietnam costs, actual administrative budget expenditures will rise by \$4.6 billion in total—an increase of only 1½ percent per year. Compared to the estimated \$98.8 billion which was originally estimated for the 1964 budget, Federal expenditures, outside of Vietnam, will rise over the 3-year period by less than \$3½ billion.

Within the total, however, there are sharply varying trends. As the table below indicates, expenditures for major programs in health, labor, education, housing and community development, the war on poverty, and other aid to the needy will rise by \$6.2 billion between 1964 and 1967. Interest costs will rise by \$2.1 billion. But expenditures for all other programs will decline by \$3.7 billion.

(The table referred to follows:)

The changing Federal budget

[Fiscal years; dollars in billions]

Description	Administrative budget expenditures, excluding special Vietnam costs				
	1964 actual	1965 actual	1966 estimate	1967 estimate	Change, 1964 to 1967
Interest	\$10.8	\$11.4	\$12.1	\$12.9	+\$2.1
Health, labor, education, housing and community development, economic opportunity program, and aid to the needy	6.7	7.3	10.8	12.9	+6.2
All other	80.2	77.6	78.8	76.5	-3.7
Total	97.7	96.4	101.7	102.3	+4.6

Mr. SCHULTZE. The President summed up the situation in his budget message, as follows:

A compassionate government need not be a profligate government.

Concern for the needs and aspirations of people can go hand in hand with responsibility and efficiency in the management of the public's business.

The expenditure program for 1967 follows this approach. I think it is sound and sensible, and I am happy to support it.

(Attachment referred to follows:)

Budget summary

[Fiscal years; in billions]

Description	1965 actual	1966 estimate	1967 estimate
Administrative budget:			
Receipts.....	\$93.1	\$100.0	\$111.0
Expenditures.....	96.5	106.4	112.8
Surplus (+) or deficit (-).....	-3.4	-6.4	-1.8
Consolidated cash statement:			
Receipts.....	119.7	128.2	145.5
Payments.....	122.4	135.0	145.0
Excess of receipts (+) or payments (-).....	-2.7	-6.9	+ .5

Mr. SCHULTZE. Thank you, Mr. Chairman.

Mr. KEOGH. Thank you very much, Mr. Schultze.

Are there any questions?

Mr. BYRNES. Mr. Chairman.

Mr. KEOGH. Mr. Byrnes.

Mr. BYRNES. Mr. Director, as I understand it, fiscal 1967 expenditures include some reductions which total about \$4.7 billion.

Mr. SCHULTZE. Yes, sir.

Mr. BYRNES. I am talking about expenditures other than for Vietnam. The largest item in this reduction, as I understand it, is the pool sales of Government-held obligations. Is that the biggest item?

Mr. SCHULTZE. The increase in sales is one-third of the total decrease. That total decrease is split in three parts almost equally; defense agency savings, civilian savings, and increased sales of assets and loan program conversions.

Mr. BYRNES. Do you have the dollar amount of savings attributable to each category?

Mr. SCHULTZE. It is \$1.6 billion for defense, \$1.5 billion for civilian agencies, and \$1.6 billion increase in a combination of asset sales and conversion of direct loans to guaranties.

Mr. BYRNES. Are there any stockpile sales in that 1.6 attributable to asset sales?

Mr. SCHULTZE. No, sir; there is not.

Mr. BYRNES. Where does that show up?

Mr. SCHULTZE. That shows up two places in the budget, Mr. Byrnes. First, sales of strategic and critical material stockpiles go into miscellaneous receipts. That shows up in the Treasury receipt figures. Sales out of Defense Production Act stockpiles, which are a smaller part of the sales, are recorded as a reduction in expenditures. The laws set them up differently when they were originally enacted.

Mr. BYRNES. Does the law show this as a reduction in expenditures or an increase in receipts?

Mr. SCHULTZE. Yes, sir. The reason for that——

Mr. BYRNES. As such or is it because they handle it through a revolving fund process?

Mr. SCHULTZE. The law set the Defense Production Act (DPA) functions up as a revolving fund.

Mr. BYRNES. Therefore, it is part of this whole pool?

Mr. SCHULTZE. Correct.

Mr. BYRNES. Whereas, strategic material is not considered an asset which when sold provides funds for the Treasury for any use whatsoever?

Mr. SCHULTZE. Correct.

Mr. BYRNES. What do you contemplate? Let us consider the stockpile sales for a moment. What do you expect to do? You are going to realize some receipts, and you are also going to reduce expenditures?

Mr. SCHULTZE. Correct.

Mr. BYRNES. How do those show up in the budget?

Mr. SCHULTZE. Each year about \$1 billion in sales.

Mr. BYRNES. How much in miscellaneous receipts?

Mr. SCHULTZE. Again, about \$800 million in each year, 1966 and 1967.

Mr. BYRNES. How much shows up as a reduction of expenditures?

Mr. SCHULTZE. About \$140 million in 1966 and \$185 million in 1967. The two together give you the round number of \$1 billion each year.

Mr. BYRNES. How does that compare with 1965 fiscal?

Mr. SCHULTZE. In fiscal 1965, it was a little over \$400 million. Let me point out, Mr. Byrnes, that as of—

Mr. BYRNES. You are more than doubling that both years?

Mr. SCHULTZE. We have already this far in 1966 exceeded the 1965 total. We are almost up to the \$500 million mark as of now in 1966.

Mr. BYRNES. There are 4 months remaining in fiscal 1966?

Mr. SCHULTZE. Yes, that is right.

Mr. BYRNES. Five months?

Mr. SCHULTZE. Right. I forget the exact date at which that \$500 million was—

Mr. BYRNES. Within about 7 months you sold stockpiles worth \$500 million?

Mr. SCHULTZE. That is right. We started out slowly and accelerated. That is right.

Mr. BYRNES. Well, if some more pressure on prices develops, I suppose that could encourage greater use of the stockpile saving.

Mr. SCHULTZE. Greater pressure on prices being greater shortages; that is correct.

Mr. BYRNES. Are these sales conducted according to a schedule that has been developed? Do you have target dates for these sales or are they speculative sales made in the context of a favorable market?

Mr. SCHULTZE. It is a combination of targets and being flexible with respect to the actual situation as it develops. By that I mean we have targets but it is not something that is down to the last dollar regardless of the situation.

Mr. BYRNES. What I am talking about is targets with respect to the individual stockpile and how much is expected to be sold, for instance, in the third and fourth quarter of this year, and the first and second of next year.

Do you have targets like that?

Mr. SCHULTZE. I have to be honest and say I am not sure about quarterly; definitely, it is by years—again with some flexibility in terms of shifting as economic situations change.

Mr. BYRNES. How dependable can our estimates be in this area?

Mr. SCHULTZE. Well, we think—given an economic situation as we see it and the rising economic activity and the situation with respect to the supplies of these materials—they are good estimates. Like all estimates, they are estimates, but they are good estimates.

Mr. BYRNES. There are some items we can estimate better than others?

Mr. SCHULTZE. Correct.

Mr. BYRNES. I was wondering whether stockpile sales can be estimated quite accurately or whether too many uncertainties are involved.

There are different types of estimates. Some are precise, firm estimates due to your control of the variable factors involved. In other cases, contingencies make the estimate more speculative. I wonder whether you put this in the speculative area or not.

Mr. SCHULTZE. I guess I put it on a border between the two in the sense that if you had the rank estimates from the most firm and most uncertain this would rank in the middle maybe a shade toward the more uncertain.

Mr. BYRNES. Yes. Generally speaking, the value of our stockpiles, I assume, are in excess of the acquisition cost?

Mr. SCHULTZE. That is correct. That is my understanding.

Mr. BYRNES. Under the present economic situation, you are not forced to sell the stockpile at a loss merely to convert a capital asset into some cash; is that correct?

Mr. SCHULTZE. That is correct. As a general proposition, that is correct. Generally correct.

Mr. BYRNES. Of course, when we do this we are creating a receipt now which otherwise might be available to us in the future, isn't that correct? When we speed up stockpile sales in a given year, we are using at a faster rate in that year a revenue source for potential future use.

Mr. SCHULTZE. With one qualification, Mr. Byrnes. If we sell it in a period in which economic activity is quite high and which supplies of these materials tend to become short, we will in all likelihood realize a better revenue for the Federal Government than if we waited until later when it might be more difficult to sell. One never knows what the future is going to bring but by concentrating sales in periods when the demand for these materials is very high, it seems to me we realize the best gain.

I would agree, of course, that if you sell this year, you don't have it to sell next year.

Mr. BYRNES. When we speed up sales to sell more than would be the normal pattern of liquidation, we are picking up revenue from future years for this year through the speedup?

Mr. SCHULTZE. Well, in a sense, any year you sell any bit of the stockpile you affect some potential future year which could be anywhere from 1 to 10 years from now.

On the other other hand, of course, in this particular case there is some cost—not very heavy—but there is some cost of maintaining that stockpile. There is also the interest cost you bear in simply carrying inventories rather than having the revenues.

Mr. BYRNES. What are the others? In the civilian agencies you show a \$1.5 billion reduction in expenditures outside of the area of the so-called pool sales.

Mr. SCHULTZE. Correct.

Mr. BYRNES. Do you have a breakdown of that \$1.5 billion?

Mr. SCHULTZE. Yes, sir; I can give you the major component: agriculture, \$300 million.

Mr. BYRNES. Is that the school lunch program?

Mr. SCHULTZE. That is one part of it. That is a very small part of it. It is a combination of school lunch, special milk, agricultural conservation payments, and there are some others.

Mr. BYRNES. What part of the \$300 million agricultural savings is attributable to the school lunch and milk program?

Mr. SCHULTZE. School lunch and milk together constitute, if you take a round number, about \$100 million of the \$300 million.

Mr. BYRNES. What else in agriculture?

Mr. SCHULTZE. A detailed breakdown of the other \$200 million I can best furnish for the record. Let me see if I have that detail.

Mr. BYRNES. Well, first on the school lunch, when I question you about these items, like the school lunch program, I don't mean to express my personal viewpoint as to whether this is a good reduction.

Mr. SCHULTZE. I will be glad to explain that.

Mr. BYRNES. I am trying to get an accurate picture of the proposed school lunch savings. You have made some check, have you not, of the recent history of the Congress and legislation in that field? How realistic it is to assume that the Congress, in view of its attitude toward the school lunch programs in the past, is going to be anxious to implement this recommendation by the executive branch?

Do you think the possibilities are quite good in this area?

Mr. SCHULTZE. Well, let me respond to that in a number of ways. First, in looking through the budget—admittedly with my limited experience—I found that there are very few programs in there, if any program, which is not very popular somewhere, otherwise, it would not be in there. So if you look through this budget for places to cut, it turns out that you run into precisely the kind of problems you are posing no matter where you turn.

There, admittedly, will be substantial pressures. If we adopted this as our complete reason for cutting, we would never cut.

The second point with respect to the school lunch and special milk, we did this after a very careful look at the programs; it was not done in any contemplation of "let's take the cut and have Congress put it back again."

For example, in the case of the school lunch program, the program proposes a modest reduction in the average rate of reimbursement. At the same time, it proposes additional money—however, within the reduced total—for school lunches in needy areas and for needy children.

In the case of the special milk program, the cut will be so—what is the word?—"fashioned" that in no school where there is an absence of a school lunch program will the special milk program be cut out?

As you know, to qualify in the school lunch program, you have to have a half pint of milk. So we are not going to take the special milk out of any school which does not have the school lunch.

Second, it will continue in schools in needy areas. The idea of both these cuts is to reallocate the money, to put the milk and the lunch programs in areas where they are needed and to save some Federal money, particularly for the milk in more well-to-do districts. This is the substance of it.

Mr. BYRNES. Has the formula for that proposal been submitted to the Agricultural Committee?

Mr. SCHULTZE. I know the Agricultural Department has been in contact with the committee. I am not sure whether they formally presented it or not. This, I don't know.

Mr. BYRNES. Well, I don't want to get into each individual detail because that will be done by the relevant committees. However, I do want to get a picture of the background on some of these reductions.

Mr. SCHULTZE. The point I would like to stress is that in every case where we made the reduction we did it to the best of our ability at least after some study of the program in terms of its substantive content; it was not done simply either arbitrarily or with the intention of going through and picking out the cuts which were the hardest to make.

As I say, quite honestly, if you look through this budget there is literally nothing in here—or if there is there may be a few I have missed—but there is literally nothing in here that can be taken out without some opposition in some parts of the public.

Mr. BYRNES. You are 100-percent right, because the programs please somebody.

Mr. SCHULTZE. That does not, obviously, mean that every cut we make is good. We did our best, but I wanted to assure you we didn't do it on the basis of the theory of playing games, we did it after an active, conscientious effort.

Mr. BYRNES. Does the \$300 million Agriculture reduction relate to the entire program?

Mr. SCHULTZE. No, that is \$300 million what I would call program cuts. There is an additional reduction in agricultural expenditures because in the case of the Farmers' Home Administration we have some of these pooled participation sales.

Mr. BYRNES. Those are not program cuts?

Mr. SCHULTZE. That is right.

Mr. BYRNES. Did the Department of Agriculture submit a list of priorities for cuts; those things that, assuming a cut had to be made, should be the first cut, or the second or third?

Mr. SCHULTZE. Yes, sir.

Mr. BYRNES. Or was that done by the Bureau of the Budget?

Mr. SCHULTZE. We asked every department for their priorities. That does not mean in every case the final result came out in terms of their, and only their, listing of priorities, but we did go through a priority listing.

Mr. BYRNES. In other words, in the Agriculture field we can assume that Secretary Freeman put a low priority on the continuation of funds for the special school milk and the school lunch program?

Mr. SCHULTZE. Well, I am a little hesitant in answering that, to tell the truth, Mr. Byrnes. I don't want to leave the impression that every one of the cuts that we made were necessarily high on the Department's list; in some cases they were, and in some cases they were not.

I am a little bit reluctant, to be honest with you, in discussing the specific recommendations and discussions which went on between us and Agriculture.

Mr. BYRNES. Do you refuse to accept the responsibility for making the cuts?

Mr. SCHULTZE. Well, it is more than that, Mr. Byrnes. This is an Executive budget which the President presents. I must confess I am a little reluctant to get into it in any detail on his discussions with the agencies; our discussions representing him in a sense with the agencies; what they proposed; and what he did.

It is clear many of these cuts were on the agency priority list. I am a little reluctant to go through them one by one.

Mr. BYRNES. All right. Agricultural savings of \$100 million result from cuts in the school lunch and milk program. What is the source of the other \$200 million reduction?

Mr. SCHULTZE. I don't have the exact amounts. I can give you some other items that are reduced. I don't happen to have in front of me the specific dollar amounts for some of the others.

In the case of the small watershed program, Public Law 566, which has been running at 70 to 80 new starts per year, we reduced this to 35 new starts.

Now this is roughly consistent with what we did in the Corps of Engineers where we reduced their new starts also.

There is another one in the case of agricultural research.

Mr. BYRNES. In other words, all the rest of these are small items but quite a few of them, is that it?

Mr. SCHULTZE. That, plus there is a reduction in estimated CCC expenditures of an amount that I can give to you in a moment.

Mr. BYRNES. How have those estimates been working out? It seems to me that the expenditures for CCC by the Department of Agriculture went up this year—

Mr. SCHULTZE. Correct.

Mr. BYRNES. Over what was estimated.

Mr. SCHULTZE. Yes. My last recollection is that over a long period of time we have missed it one way as well as the others. In the last 2 years, we have tended to miss it by underestimating; crop yields have been better. The new Agriculture Act should improve our estimating, but it won't really hit until the 1968 budget. The change is in the nature of the farm program involving shifting the technique for supports from purchases at relatively high support levels to lower support levels and direct payments.

The fact that direct payments are based on normal yields means technically our estimates ought to get better in the future because they are less dependent on crop yields than in the past. Admittedly, we have missed it in the last 2 years. Over the long period of time, it has shifted back and forth.

We hope the new farm program will make our estimates—particularly in 1968, 1969, and 1970—somewhat better.

Mr. BYRNES. But this is one of the items that admittedly involves a very speculative estimate?

Mr. SCHULTZE. OK. I would not have chosen speculative. It is very difficult to estimate. I agree fully.

Mr. BYRNES. Semantics.

Mr. SCHULTZE. OK.

Mr. BYRNES. You have identified the source of \$300 million in savings. Where does the remainder of this \$1.5 billion savings come from?

Mr. SCHULTZE. There is a \$300 million expenditure in Space, NASA.

Mr. BYRNES. Is this generalized throughout the space program or is it specific?

Mr. SCHULTZE. The expenditure reduction tends to be mainly in the manned lunar landing program. There is, percentagewise, a slight reduction here, not so much because the programs change but because it has the largest chunk of space development.

In the other parts of the program the expenditure cuts are relatively a little heavier. They result from, literally, a priority analysis of the programs, and the cancellation of several. For example, what we call the AOSP (the Advanced Orbiting Scientific Observatory), and the cancellation of the Voyager and the substitution of a much less expansive planetary program in the immediate future.

It stems in part from NASA's heavily improved contracting procedures where they shift over much more heavily to incentive contracts. These are the major elements involved: a very slight cut in the manned lunar landing program, some actual program cuts, and the refusal this year to inaugurate any massive new programs like the manned lunar landing program.

Mr. BYRNES. What else? What areas other than NASA are involved?

Mr. SCHULTZE. AEC, about \$100 million. These cuts are scattered all over the place. I can mention two of importance. One is in response to a highly classified revised DOD estimate of nuclear stockpile and weapon requirements.

In response to that, weapons production expenditures will be down some. We canceled the experimental gas-cooled reactor (EGCR) in Oak Ridge which was not really paying off in terms of its contributions to the agency's program. These two account for the largest part of it, but there are smaller cuts scattered throughout.

There is a \$100 million—in round numbers—reduction in the Post Office deficit due to proposals which Postmaster O'Brien just sent up to the Congress with respect to parcel post rates and size and weight limits. This reduces the Post Office deficit.

Mr. BYRNES. In other words, that depends on congressional action.

Mr. SCHULTZE. Yes, it requires congressional action.

Let's see. I think I have added up to a billion dollars. The other \$500 million are scattered in a number of places throughout the Government.

Mr. BYRNES. You estimate some savings, don't you, in the FAA?

Mr. SCHULTZE. But not for the commercial airports.

Mr. BYRNES. The savings is attributable to the smaller feeder airports, feeder airlines.

Mr. SCHULTZE. Yes, \$21 million in NOA.

Mr. BYRNES. In other words, the saving does not involve large commercial airports. But you are going to cut back on the amount of money available for improvement of general aviation and the feeder line airports, is that correct?

Mr. SCHULTZE. Yes, cutting \$21 million in NOA out of the grant-in-aid for airport program with the emphasis here—and the general belief that the emphasis here ought to be—in terms of general aviation but not to cut out the commercial.

Mr. BYRNES. This helps the commercial airports, but as I understand it, it is the smaller feeder line airports which are the general aviation airports.

Mr. SCHULTZE. That is what I am saying. The cut is not aimed primarily at the commercial.

Mr. BYRNES. The cut is aimed at general aviation and feeder lines.

Mr. SCHULTZE. That is correct. Primarily we had not thought of this so much as feeder but they become combined and it becomes difficult to separate one from the other.

Mr. BYRNES. We are accustomed to speaking in terms of hundreds of millions of dollars. There are some that would suggest we are wasting time talking about on \$20 million. I disagree, because \$20 million is still a lot of money.

Mr. SCHULTZE. My colleague reminds me there is a cut in appropriations, but because of the time lag involved it will not affect 1967 expenditures. It is a reduction in appropriations, but it won't hit expenditures. Everything else I was giving you was the expenditure impact of what we had done.

Mr. BYRNES. So really the cut there that is proposed is bigger than the expenditure reduction?

Mr. SCHULTZE. There is only a \$5 million expenditure reduction in 1967.

Mr. BYRNES. We know that almost every airport in the country is seeking expansion to accommodate jets, particularly the feeder line airports.

Mr. SCHULTZE. Our major point on this, Mr. Byrnes—with which, of course, a lot of people quarrel—is that they ought to be a lot more self-supporting.

Mr. BYRNES. That, then, covers \$1.5 billion of reduction.

Mr. SCHULTZE. I have listed specifically something up to a billion. The other \$500 million is scattered. I have covered two-thirds.

Mr. BYRNES. I understand that there will be savings made in financing Public Law 480. You are going to increase the sales but it will cost less to acquire the products to be sold.

Tell me how that works.

Mr. SCHULTZE. The basis of it is that we are going to ship more commodities but because of the 1965 farm bill—which in general tended to substitute direct payments on a number of commodities for higher supports—Public Law 480 will be able to pick up these commodities at lower or world prices.

For example, under the farm bill the wheat grower will receive more money through higher-priced wheat certificates and less through export certificates. Growers' incomes are increased but export prices—Public Law 480 prices—are lowered to be competitive with world prices.

So you are shipping more commodities but you are getting them at a lower price relative to what you would have done if the farm bill had not been passed.

Mr. BYRNES. But that additional price is made up on direct payment. In other words, you are charging it to the farm program rather than Public Law 480?

Mr. SCHULTZE. Sort of. However, the direct payments are conditioned in that the grower has to restrict production. They're based on his share of the domestic market and on his projected yield, not his actual yield. Production above that share will not increase payments.

Also in the case of wheat the 1965 farm bill eliminated effort certificates. This is the essence of the story.

Mr. BYRNES. Now give me an elementary explanation concerning the pooled sales operations.

Mr. SCHULTZE. Let me clear up one minor part right away. In addition to the pooled sales which I will come to in a moment, we are in the case of the NDEA—National Defense Education Act student loan program—converting that from a direct Federal loan to a Federal guarantee of private lender loans to students. So that is one element in this.

I just wanted to clear that up.

Now, the next major element—

Mr. BYRNES. Let's discuss this, because it is a pretty big item.

Mr. SCHULTZE. No, that is only \$200 million, I think.

Mr. BYRNES. That is a large figure.

Mr. SCHULTZE. It will grow. In the sense that this program has grown, we would have had more.

Mr. BYRNES. That is what you propose to save, \$200 million?

Mr. SCHULTZE. That is approximately correct; yes.

Mr. BYRNES. How are you going to take care of the interest situation? As I understand it, there is no trouble—in most cases there is no difficulty in getting loans.

Mr. SCHULTZE. Right.

Mr. BYRNES. It is the question of getting the loans at a small interest rate.

Mr. SCHULTZE. Correct.

Mr. BYRNES. What makes any of these Government programs popular is that—

Mr. SCHULTZE. Correct.

Mr. BYRNES (continuing). That somebody has to borrow a sum of money at a rate below the prevailing interest rate.

Now what changes do you propose in college loans in order to save \$200 million?

Mr. SCHULTZE. Pay an interest subsidy. We do it now, Mr. Byrnes. There are really two programs involved which we kind of fold together. Last year, or was it the year before—no, last year, the Congress, in the Higher Education Act, passed a general guaranteed loan program for students with an interest subsidy.

Mr. BYRNES. Three percent.

Mr. SCHULTZE. Three percent, correct.

At the same time, it left in existence the earlier National Defense Education Act loan program which was a direct loan program with tighter income limits and with forgiveness.

Now by this I mean that a teacher, for example, can have x percent of the loan forgiven. What we are going to do is fold those

two programs together. Instead of making it under the National Defense Education Act, we will guarantee the private loan and pay the interest subsidy. If the student says he is going to be a teacher who is entitled under the act to forgiveness of up to half the loan, he will submit the certificate just as he would have had to do in the past to the college and the Government. The Government will then pay off the private lender which is another way of getting the forgiveness.

Now, this is exactly what we did in the past except that we will now work through private lending institutions instead of the Federal Government making the initial loan.

Mr. BYRNES. Your going rate is 5 percent?

Mr. SCHULTZE. Nearer 6.

Mr. BYRNES. What?

Mr. SCHULTZE. Probably 6.

Mr. BYRNES. All right, 6.

Now, those loans are granted at a 3-percent rate. You will pay an interest subsidy of 3 percent to the lending institution?

Mr. SCHULTZE. Correct, on the proper certifications and so on.

Mr. BYRNES. Will you immediately discount the loan by 3 percent or will you pay the interest over the duration of the loan? Will the lending institution submit one bill for the entire loan or will they submit a bill on each installment payment?

Mr. SCHULTZE. Quite probably, although the specific details of this will be submitted shortly, it will be the continuing payment of the 3 percent; but I want to emphasize we have not finally come down on that.

Mr. BYRNES. I am thinking more of the mechanics.

Mr. SCHULTZE. You are asking whether we discount and pay the total sum which will take care of it or pay the 3 percent steadily over time.

Mr. BYRNES. Yes.

Mr. SCHULTZE. I am almost sure we will pay it steadily over time but that has not been finally decided.

Mr. BYRNES. Well, that would make some difference in your cost, too, insofar as any particular fiscal year is concerned, won't it?

Mr. SCHULTZE. It will, that is correct, sir. It will. One of the reasons, by the way, for doing it over time is that conditions may change, the student may want to pay the loan off early, or he may get forgiveness.

If you have already given the capital grant, in a sense you will have had to guess a lot of things as to the outcome you really didn't know. That is probably one of the reasons we didn't go the other way. I want to emphasize we are not sure.

Mr. BYRNES. We are moving to an open subsidy to a lending institution for the benefit of a student?

Mr. SCHULTZE. Oh, all right. I would say I consider this really to be a subsidy to the student which happens to be paid to a lending institution. Otherwise, that is correct.

Mr. BYRNES. Correct.

Mr. SCHULTZE. Instead of—in a sense—a hidden subsidy, it is an open one.

Mr. BYRNES. This is correct.

Under the old program you merely loaned money at a reduced rate. Sometimes the Government could borrow for less than the students could borrow at a bank, so you loaned them the money at the same rate of interest the Government paid. In other cases, you simply granted them a lower interest rate. If we didn't use the idea of subsidy—

Mr. SCHULTZE. Implicit in it, there was a subsidy.

Mr. BYRNES. Yes.

Now explain the pool arrangements.

Mr. SCHULTZE. Essentially the pool operates as follows—by the way, we already have such pools existing and sales of pool certificates have been made in the case of VA and FNMA mortgages. This already exists but what we are asking for is authority to extend this to other programs. Essentially in this case, the particular agency puts into a pool—operated in this case by FNMA as a kind of central financial agency—its mortgages or loans.

In turn, FNMA sells participations in the income from that pool. The reason for this is that we can get a better rate by pooling—getting the advantages of the insurance principle—rather than selling them directly. We get a better return when we do it this way. Also, we don't hit the mortgage market. Since a very large number of these are mortgages, we don't hit the mortgage market all at once. Rather, these participations have a wider range of buyers than straight mortgages would, so this tends, again, to get the Government a better rate.

The pool is a very efficient way of selling out these assets because it combines the insurance principle with a nationwide market.

Mr. BYRNES. Well, here again what you are doing, I assume, is subsidizing the interest rate again by a direct payment.

Mr. SCHULTZE. That is correct. In some cases yes, and in some, no. In the case of the Small Business Administration, probably this would require no subsidy because the rate on most of the loans put into the pool is sufficiently high that it won't require anything.

Mr. BYRNES. Depending on where the other interest rates go.

Mr. SCHULTZE. I say, taking that into account—looking at the rate on SBA loans of $5\frac{1}{2}$ percent—probably it will not require any more.

In the case of college housing—where the rates range from 3 to $3\frac{3}{4}$ percent—it will, of course, require that the difference be made up.

I would like to stress the fact, that this subsidy is there once the loan is made; it is not a new subsidy, it is already there. The Federal Government already made the loan at this low rate, that has already been done. This is just recognizing that fact.

Mr. BYRNES. It is spread over a period.

Mr. SCHULTZE. It is spread over a period and it will still be spread over a period even though participations are used.

Mr. BYRNES. What this is, is really a speedup again of sale of assets.

Mr. SCHULTZE. It is an increase in the sale of assets; yes, sir.

Mr. BYRNES. Assets that you would otherwise be liquidating in the future or that would be self-liquidating over the life of the loan.

Secretary FOWLER. May I make a few comments on this?

Mr. BYRNES. Yes.

Secretary FOWLER. Just to add a little bit to the understanding of this program rather than to deal with its specifics.

Back in 1954 and 1955 there was a good deal of emphasis directed toward the beginning of a program to dispose of these assets. This

was done with a view toward going as far as we could in substituting private participation in the public lending process. This was particularly true in those areas where public lending had become a necessity because private credit corporations were not meeting the situation.

The guiding principle in this operation, I think, is to look at it as a method to supplement or stimulate private lending rather than substitute for it.

We conducted an interdepartmental study in 1962, issued in 1963, based on the recommendations of the Commission on Money and Credit. I think one paragraph of the report of the Committee on Federal Credit Programs might give this committee a feeling of what is involved here. I quote from the report:

In our society, there is a presumption that the allocation of credit for essentially private purposes should be the function of private markets. Accordingly, the Committee believed that Federal credit programs should, in the main and whenever consistent with the essential program goals, encourage and supplement rather than displace private credit. This is more a matter of basic economic philosophy.

It also recognizes the fact that the private market will continue to account for the great bulk of all credit extensions. More can be gained in the end, therefore, if Federal credit programs, by working through the private market, help to make it stronger and more competitive, than if they unnecessarily preempt functions that private parties can potentially perform effectively.

Moreover, by making use of the private market with its existing institutional arrangement and skills to the extent consistent with the essential program objectives, the problem of administering Government programs can frequently be eased, and the essential Government aid made more conveniently available to potential borrowers.

From time to time we have had discussions before this committee about the desirability of expanding the program for disposition of assets. As you have indicated, this year's program is simply a further manifestation of this process in a more organized, more quantitative way than we have had in the past.

Mr. BYRNES. This is another speedup in a sense.

Secretary FOWLER. It has that effect.

Mr. BYRNES. It has that effect again, does it not?

Secretary FOWLER. That is right.

Mr. BYRNES. It has the effect of speeding up the recoupment of capital investments that have been made by the U.S. Government.

Secretary FOWLER. That is correct.

Mr. BYRNES. I am not sure that "investment" is the proper word, but the sales anticipate a recoupment of the capital expenditures, so again, you are moving up.

This is the point I want to determine. We are moving up revenues or reductions of expenses from 1968, 1969, possibly 1970, into the fiscal year 1967 and 1966.

It seems to me that you are devising a process to sell, in fiscal years 1966 and 1967, currently outstanding loans.

Am I right or wrong on that?

Mr. SCHULTZE. There is one other aspect. You are quite right there is this element involved. On the other hand, this technique reduces the annual level of future loans that would have had to be made directly out of the Federal budget; this technique can in the same year keep these new loans off the budget, so it is a combination of both.

Mr. BYRNES. You are reducing that part of the Government expenditure that represents capital and substituting a smaller amount which represents interest?

Mr. SCHULTZE. Yes.

Mr. BYRNES. As far as new loans are concerned. As far as currently outstanding loans and assets are concerned, you are speeding up the recoupment?

Mr. SCHULTZE. That is correct.

Mr. BYRNES. Do you have those?

Mr. SCHULTZE. The major idea of this—we think in as many credit programs as possible—is to get to a situation where this is not a direct loan in the Federal budget and that private credit participates to the maximum extent possible and the taxpayer to the minimum extent possible in the program.

Mr. BYRNES. I might say at this point one of the reasons I become concerned with your program is not just with the asset sales and this other method of disposing of assets we have suggested. I realize the assets should convert back into cash.

Mr. SCHULTZE. Right.

Mr. BYRNES. By the speedup of the corporate tax, and the sale of assets, we are putting almost \$5 billion of funds into fiscal 1967 that would otherwise be available in 1968, 1969, and 1970.

The question I have is where is all of this going to leave us from a fiscal standpoint when we get to fiscal 1967, 1968, and 1969? Are we then going to have to find other sources of revenue to keep our expenditures high?

Secretary FOWLER. May I comment on that? Director Schultze, page 3 of his statement, stated this is a form of expenditure control and is treated in the budget in the same manner as in the past. The effect of these and other measures, including the tax measures, will reduce a threatened deficit of \$9 billion to one of only \$1.8 billion. Moreover, in the cash budget these measures will help produce a half billion dollar surplus.

The total effect of this comes at a time when an unusual additional expenditure is placed on the budget—the special costs of Vietnam which, as I have indicated, are in the neighborhood of \$10½ billion.

Mr. BYRNES. I hope the Vietnam situation is cured, Mr. Secretary, by fiscal 1968, and I would hope even by fiscal 1967. But if it is not, what we are draining are funds from fiscal 1968 that otherwise would be coming in during those years, either by way of tax revenues in the corporate speedup or through asset sales.

The sale of your assets that you currently have, that if you instead of selling the assets now, you liquidate them at a gradual rate, there you would be realizing income from some of the assets in fiscal 1968. What you have done here is move a large pool of funds from 1968 and 1969 forward to fiscal year 1967.

Where is that going to leave you when you come to 1968?

Mr. SCHULTZE. I make two points with respect to that. If you take the largest portion of these loans that are either being sold directly or being put into the participation pool, you will find that they have scheduled repayments not over the next 2 years but over the next 20 to 40 years; so you are accordioning your receipts, but you are not simply taking from 1968 and 1969.

Mr. BYRNES. You also had an asset program.

Mr. SCHULTZE. That is my second point.

Mr. BYRNES. Because we are already in the process of selling. You are speeding up your sales.

Mr. SCHULTZE. My first point is that, as a matter of fact, the sales alone take receipts from not a period of just 2 years but from 20 or 40 years.

Second, in taking a look at these portfolios as to what should or should not be sold, we did take account of the 1968 situation. While we obviously at this point have no idea of what we will do in 1968, we did leave significant volumes of assets that could be sold in 1968.

I grant you you cannot continue this for 5 years but it does mean that this program will not have to stop or even be cut back in 1968. I cannot promise we will do the same in 1968, but we did take this into account. So we don't go from \$4.7 billion to nothing.

Mr. BYRNES. But you know what you are going to have available for sale is going to be much less in fiscal 1968 because you are starting the program with a philosophy of selling everything you can get rid of.

Mr. SCHULTZE. No, sir. No, sir. Quite deliberately we spent several months of hard work in developing this asset sale—attempting to identify the assets that quite probably could be sold through this technique—and then deliberately took some of them and said, "Let's leave those for 1968."

I am not saying, you know, that we necessarily could have sold more than 4.7. What I am saying is that, in looking at what our targets ought to be, we deliberately left some in the program for 1968. I cannot tell you that 1968 will also be \$4.7 billion, but we did not clean out the salable assets.

Mr. BYRNES. What do you consider is going to be the subsidy element? How much are you going to pay out of your unit subsidy on the volume that you propose to sell under this pool arrangement in 1966 and 1967? This is a direct cost item that shows up in your trading as an immediate cost for getting some capital.

Mr. SCHULTZE. Well, in the first place, I don't have an aggregate amount. It is quite small. It will vary from program to program depending on the rate of interest—ranging from 3 percent in the case of some of the college housing loans where the subsidy was built into it once you made the loan up to 5½ percent for some of the small business loans.

So the amounts will vary.

Second, we are still crossing "t's" and dotting "i's" on the legislation, but my understanding is that there will be little or practically no appropriations required in 1967 for this purpose; there will be some in 1968, but these are quite small. I can't tell you what the volume is.

Mr. BYRNES. That depends on what the interest rates would be.

Mr. SCHULTZE. That is right.

Mr. BYRNES. Normal interest rates.

Mr. SCHULTZE. Within the range of any reasonable interest rate fluctuation, it will still be quite small.

Mr. BYRNES. And also the amount that you are going to be able to sell is going to depend somewhat on the market?

Mr. SCHULTZE. It is going to depend on the rates we offer.

Mr. BYRNES. It will depend on how much you are willing to supplement the interest.

Secretary FOWLER. You also have to take into account—this is also a factor—that if this operation were not carried on, we, the Treasury, would have to go into the market and borrow at a time when interest rates will be very high.

So in a sense it is an offsetting factor, because to the degree that it is accomplished, it diminishes the extent to which the Treasury has to go into the market and borrow at what are, in historical terms, very high rates of interest.

Mr. BYRNES. I thought you suggested the last time you were here that this factor really is a “washout.”

Secretary FOWLER. I am only pointing to the wash, that is all.

Mr. BYRNES. I see.

Let me ask a few questions about the revenue side. In the corporate area we find an increase in the corporate tax field of \$4.7 billion between 1967 and 1966; \$3.2 billion of that is attributable to the speedup?

Secretary FOWLER. The total receipts for fiscal 1966, are estimated at \$29.7 billion.

Mr. BYRNES. 34.4 for fiscal 1967, that is a 4.7 increase.

Secretary FOWLER. That is right.

Mr. BYRNES. The tax change would speed up the corporate yield by \$3.2 billion.

Secretary FOWLER. We figure on a net basis, \$2.2 billion for the action we are asking you for now, \$400 million caused by the acceleration that is already in the law as a result of the Revenue Act of 1964, and \$2.1 billion in terms of what I would call the economic growth factor, the larger tax take from increased profits.

The basis for that estimate is that we estimate that profit growth in calendar year 1966 will be about \$5.4 billion—roughly from \$74.6 to \$80 billion—and we compute the additional tax on this profit growth at a rate of about 39 percent. This gives you \$2.1 billion.

To this we added estimates of the effects of the acceleration of corporate payments: \$400 billion under present law, and an additional \$2.2 billion under the 1966 proposals. This totals \$4.7 billion, yielding our estimate of corporate tax receipts for fiscal 1967 of \$34.4 billion.

Mr. BYRNES. I am not sure that I completely grasp that statement. The table that you submitted to the committee set forth the receipts in fiscal 1966 and the increased in fiscal 1967 attributable to the tax bill before the committee. You show in the second column, as the increase for fiscal year 1967, \$3.2 billion for the corporate income tax speedup if it is effective by April 15, 1966.

Are you saying that that 3.2 includes the speedup resulting from the—

Secretary FOWLER. I get from the \$3.2 billion to the \$2.2 billion because there is a billion dollar speedup in fiscal 1966.

Mr. BYRNES. Yes. I see. So that is cumulative?

Secretary FOWLER. That is right. The \$2.2 billion is in addition to the \$1 billion speedup in fiscal 1966.

Mr. BYRNES. But we will only have \$2.2 billion more in corporate income taxes in fiscal year 1967 over fiscal 1966.

Secretary FOWLER. That is correct.

Mr. BYRNES. But we will have \$3.2 billion more from this source than we had in fiscal 1965.

Secretary FOWLER. That is correct in the sense that it adds \$3.2 billion to what we would have had in 1967 under current law.

Mr. BYRNES. Is that it?

Secretary FOWLER. That is right.

Mr. BYRNES. I would like to know what the miscellaneous receipts are but before I do that, does the British Government loan and the interest, go under miscellaneous receipts?

Mr. COHN. Yes, Mr. Byrnes. The principal repayment and the interest both are in the miscellaneous receipts when they are paid.

Mr. BYRNES. When they are paid. That is the big question I want to come to.

Now I note that you estimate in your miscellaneous receipts that the British Government will resume principal and interest payments on this loan?

Mr. COHN. That is correct.

Mr. BYRNES. If it does, how much will we get under miscellaneous receipts for fiscal 1967?

Mr. COHN. It is my recollection that the total principal repayment and interest would be around \$126 million.

Mr. BYRNES. When did they stop?

Mr. COHN. They did not pay in fiscal 1965, I think, and we have no estimate in fiscal 1966 because it was due last winter. I think normally the payment is made in November or December.

Secretary FOWLER. December.

Mr. COHN. So that we have no payment in fiscal 1965 or fiscal 1966, but we have estimated a resumption of the payments again in 1967.

Mr. BYRNES. What is the basis for the assumption that they are going to resume payments? Do you have a different situation this coming year than you had last year?

Secretary FOWLER. I would like to check this answer for accuracy but my impression is that there is built into the loan agreement the provision that the United Kingdom at its option may pass or waive a given number of payments, in other words, take advantage of a particular situation.

I don't know, but I will supply for the record, how many times the option on the provision has been exercised and whether or not it has been exhausted. If it has not been exhausted and there is still a remaining option to the United Kingdom, of course to that extent the expectation of a payment next year depends upon the increased ability of the United Kingdom to incur this additional drain, you might say, on its balance of payments.

It is the expectation, I believe, of the United Kingdom authorities that by the end of this year, 1966, the measures they have taken, will bring them into a much better balance-of-payments situation. I think that is as far as I can go on the comment.

(The following information was received by the committee:)

The amendment to the Anglo-American Financial Agreement, approved by the Congress on April 20, 1957, provides that the Government of the United Kingdom may, at its option, defer payment of not more than seven annual installments of principal and interest to the United States due under the agreement. The British Government has taken advantage of this option three times so far, postponing payments of the installments of principal and interest due at the end of the years, 1957, 1964, and 1965. The regular annual installment payable under the agreement amounts to \$138.4 million.

Mr. BYRNES. This thing is another speculative item.

Secretary FOWLER. Again I would not choose that adjective, but it has a contingency factor.

Mr. BYRNES. Which of these loans that we have made have the contingency factor?

Secretary FOWLER. This one is a very good one. I would not place it in a category of a number of the others. I have not seen pay.

Mr. BYRNES. What is this item described as "revenues from the Outer Continental Shelf land?" I gather this is a new item in miscellaneous receipts that we expect to have?

Has that whole proposition been firmed up now and are there no more disputes?

Mr. SCHULTZE. There is a fund held in escrow for the settlement of a legal problem between the United States and one or several of the States. There is substantial amount that is beyond dispute and was put in the budget because of that fact.

In other words, it is not, as I understand it, an uncertain element; this is the item that is beyond dispute.

Now there are additional possible receipts to the U.S. Government depending on the legal outcome of this dispute. Those we have not taken into account.

Mr. BYRNES. When did we know that we had this money that was not in dispute? Is this certainly of recent origin?

Mr. SCHULTZE. I am told that it was sometime very shortly before the budget was put together, probably December. Now there are some legal details to be worked out and all of that.

Mr. BYRNES. How much money is involved there?

Mr. COHN. Mr. Byrnes, there are revenues or receipts from rents and royalties on the Outer Continental Shelf quite aside from this amount which has been held in escrow. The total that we have estimated in 1967 for receipts from this source is a total of \$400 million.

Now of that, my recollection is about \$120 million represents the amount that had been held in escrow which we believe is now beyond dispute with the State parties involved. That would be the Federal share and the States would presumably also take an additional amount from the funds now held in escrow.

So of the \$400 million, \$120 million is from this source.

Mr. BYRNES. That, in a sense, becomes windfall—that is not the proper word, but we suddenly have this \$120 million that we can use.

Mr. COHN. Mr. Byrnes, looking at the picture you painted before, of a stream of collections from the future, these are past collections held in escrow which are finally coming in.

Mr. BYRNES. Again we have a revenue source that is not a normal type of revenue source any more than the corporate speedup or the back payment is a normal revenue source.

Mr. SCHULTZE. Except a number of points on this, Mr. Byrnes, two points. First, there is about \$600 million still left in dispute, some of which will be Federal share.

Mr. BYRNES. Which we may get or we may not.

Mr. SCHULTZE. It is really the amount more than anything else that is the problem.

Second, in any budget year, there are a number of one-time expenditures and receipts. I have never attempted to go through the budget,

for example, and calculate the number of one-time expenditures, but they are substantial; and there are, every year, one-time receipts.

If, for example, you look at the table of miscellaneous receipts, you find a whole host of items which fluctuate from year to year.

Mr. BYRNES. I think it would be helpful if for the record you could submit a breakdown of the miscellaneous receipts for the last 3 years so we can get a picture of the normal composition of this miscellaneous receipts.

(The following material was received by the committee:)

STATEMENT OF MISCELLANEOUS RECEIPTS
FOR FISCAL YEARS 1965, 1966, AND 1967

(In thousands of dollars)

Source	1965 actual	1966 estimate	1967 estimate
0100 TAXES			
0190 Miscellaneous taxes.....	5,854	5,920	5,920
0600 SEIGNIORAGE AND BULLION CHARGES			
0610 Seigniorage:			
0611 Seigniorage, silver.....	24,989	19,548	-
0612 Seigniorage, minor coinage.....	92,008	138,323	141,524
0613 Seigniorage, cupro-nickel clad coinage.....	-	711,920	1,396,298
0614 Seigniorage, silver clad coinage..	-	31,142	30,514
Total, seigniorage.....	116,997	900,933	1,568,336
0620 Bullion charges:			
0621 Profit on sale of silver bullion..	192	200	200
0622 Handling charges on gold bullion..	457	500	500
0623 Other bullion charges.....	533	550	550
Total, bullion charges.....	1,182	1,250	1,250
Total, seigniorage and bullion charges.....	118,179	902,183	1,569,586
0800 FEES FOR PERMITS AND LICENSES			
0810 Admission permits and fees.....	6,182	8,275	9,303
0820 Business concessions:			
0821 Commissions on telephone pay stations.....	2,901	3,113	3,135
0822 Business concessions, not otherwise classified.....	5,099	5,834	6,509
Total, business concessions.....	8,000	8,947	9,644
0830 Immigration, passport and consular fees.....	24,861	27,505	29,200
Proposed legislation.....	-	-	-500
Total, immigration, passport and consular fees.....	24,861	27,505	28,700

Source		1965 actual	1966 estimate	1967 estimate
0800 FEES FOR PERMITS AND LICENSES (continued)				
0840	Patent and copyright fees.....	10,406	19,468	26,532
0850	Registration and filing fees.....	13,805	15,357	22,226
0860	Landing fees, airports.....	2,770	3,036	3,252
0890	Miscellaneous fees for permits and licenses:			
0891	Migratory bird hunting stamps.....	4,623	5,000	5,200
0892	Fees from leased grazing lands, Pierce Act.....	1	2	2
0893	Grazing fees for range improve- ments, Taylor Grazing Act, as amended.....	1,356	1,815	1,942
0899	Miscellaneous fees for permits and licenses, not otherwise classified.....	11,105	11,771	15,863
	Total, miscellaneous fees for permits and licenses.....	17,085	18,588	23,007
	Total, fees for permits and licenses.....	83,109	101,176	122,664
1000 FINES, PENALTIES, AND FORFEITURES				
1010	Fines, penalties, and forfeitures-- agricultural laws.....	1,585	1,569	1,570
1020	Fines, penalties, and forfeitures-- economic stabilization laws.....	10	11	11
1030	Fines, penalties, and forfeitures-- immigration and labor laws.....	551	557	559
1040	Fines, penalties, and forfeitures-- customs, commerce, and anti-trust laws.....	6,192	6,729	7,149
1050	Fines, penalties, and forfeitures-- narcotic, prohibition and alcohol laws.	136	150	150

Source		1965 actual	1966 estimate	1967 estimate
1000 FINES, PENALTIES, AND FORFEITURES (continued)				
1060	Forfeitures of unclaimed money and property.....	1,088	733	735
1070	Proceeds from old series currency, Act of June 30, 1961.....	73,100	-	-
1090	Fines, penalties, and forfeitures-- not otherwise classified.....	4,383	4,482	4,579
	Total, fines, penalties, and forfeitures.....	87,045	14,231	14,753
1200 GIFTS AND CONTRIBUTIONS				
1210	Contributions to "conscience fund".....	25	26	26
1290	Gifts:			
1292	Residue of funds from quasi- governmental organizations.....	240	240	240
1295	Mary V. White bequest.....	3	-	-
1299	Gifts to the United States, not otherwise classified.....	1,436	544	544
	Total, gifts.....	1,679	784	784
	Total, gifts and contributions.....	1,704	810	810
1400 INTEREST				
1400)				
1410)	Interest on loans to Government-			
1420)	owned enterprises:			
1401	Interest on loans to Commodity Credit Corporation.....	458,861	299,000	322,000
1402	Interest on loans to Export- Import Bank of Washington.....	15,139	15,115	6,930
1403	Interest on loans to Federal National Mortgage Association, management and liquidating functions.....	36,838	25,000	19,000

Source		1965 actual	1966 estimate	1967 estimate
1400 INTEREST (continued)				
1404	Interest on loans to Federal National Mortgage Association, special assistance functions.....	50,034	29,800	29,000
1405	Interest on loans to Department of Housing and Urban Development, college housing loans.....	48,968	57,694	64,250
1406	Interest on loans to Department of Housing and Urban Development, public facility loans.....	4,903	6,007	7,100
1407	Interest on loans to Department of Housing and Urban Development, urban renewal fund.....	5,895	7,397	8,600
1408	Interest on loans to Public Housing Administration.....	187	250	1,738
1409	Interest on loans to Agricultural Credit Insurance Fund.....	2,763	3,400	4,000
1410	Interest on loans to Civil Defense Program Fund.....	4	2	-
1411	Interest on loans to Veterans Administration, direct loans to veterans and reserves.....	36,324	32,787	23,500
1412	Interest on loans to Informational Media Guarantee Fund.....	656	-	-
1413	Interest on loans, Defense Production Act.....	124,948	14,768	35,496
1414	Interest on loans to Saint Lawrence Seaway Development Corporation.....	4,000	4,200	4,500
1415	Interest on loans to Federal Ship Mortgage Insurance Fund.....	353	120	10
1416	Interest on loans to Farmers Home Administration, direct loan account.....	13,805	16,000	28,600
1417	Interest on loans to Tennessee Valley Authority.....	2,396	2,800	3,000
Proposed legislation:				
1418	Interest on investments, Bonneville Power Administration.....	-	34,243	36,591
1419	Interest on investments, Southwestern Power Administration.....	-	10,850	11,400
1423	Interest on investments, Office of Economic Opportunity loan fund.....	124	1,300	3,000
1424	Interest on investments, Upper Colorado River storage project...	752	5,126	14,955

Source		1965 actual	1966 estimate	1967 estimate
1400 INTEREST (continued)				
1426	Interest on loans and advances to Virgin Islands Corporation.....	406	248	48
1427	Interest on advances to Colorado River Dam Fund, Boulder Canyon Project.....	2,857	2,900	2,800
1428	Interest on advances to Small Business Administration.....	30,740	38,925	45,135
1429	Interest on direct net investment, Panama Canal Company.....	11,336	11,915	12,080
Total, interest on loans to Government-owned enterprises.....		852,289	619,847	683,733
1430	Interest on loans to Government-sponsored enterprises:			
1431	Interest on loans to Federal National Mortgage Association, secondary market operations.....	1,261	1,000	1,500
1440	Interest on loans to States, municipalities and other public bodies:			
1441	Interest on public works loans to the District of Columbia.....	3,295	3,183	4,486
1449	Interest on loans to States, municipalities and other public bodies, not otherwise classified..	536	667	900
Total, interest on loans to States, municipalities and other public bodies.....		3,831	3,850	5,386
1450	Interest on domestic loans to individuals and private organizations:			
1451	Interest on Rural Electrification Administration loans.....	84,145	89,900	95,600
	Proposed legislation.....	-	-8,600	-9,700
1452	Interest on Farmers Home Administration, rural housing loans.....	23,731	-	-
1453	Interest on other loans to individuals and private organizations.	393	453	494
Total, interest on domestic loans to individuals and private organizations.....		108,269	81,753	86,394

Source		1965 actual	1966 estimate	1967 estimate
1400 INTEREST (continued)				
1460	Interest on foreign loans and deferred payments:			
1461	Interest on loans to United Kingdom.....	3,794	6,182	65,846
1462	Interest on agreement dated February 27, 1953, Federal Republic of Germany.....	5,009	5,009	5,943
1464	Interest on deferred foreign collections or payments.....	21,045	21,072	28,625
1466	Interest on loans, Foreign Assistance Act of 1961.....	30,723	32,003	31,366
1469	Interest on other loans to foreign governments, advances and credit sales.....	34,530	44,718	43,444
	Total, interest on foreign loans and deferred payments.....	95,101	108,984	175,224
1480	Interest on public deposits:			
1482	Interest on public deposits.....	9,102	9,162	8,990
1490	Miscellaneous interest collections:			
1499	Miscellaneous interest collections, not otherwise classified..	7,571	6,876	6,536
	Total, interest.....	1,077,424	831,472	967,763
1600 DIVIDENDS AND OTHER EARNINGS				
1630	Earnings from Government-sponsored enterprises:			
1631	Deposits of earnings, Federal Reserve System (collections under Sec. 16 of Federal Reserve Act, as amended).....	1,372,043	1,706,000	1,800,000
1634	Franchise tax.....	4,967	4,831	4,820
1635	Payment equivalent to income taxes.....	12,989	11,483	12,600

Source	1965 actual	1966 estimate	1967 estimate
1600 DIVIDENDS AND OTHER EARNINGS (continued)			
1636 Dividends on preferred stock, Federal National Mortgage Association, secondary market operations.....	2,713	1,920	1,920
Total, earnings from Government- sponsored enterprises.....	1,392,712	1,724,234	1,819,340
1680 Gain by exchange.....	96	196	94
1690 Miscellaneous dividends and earnings: 1699 Miscellaneous dividends and earnings, not otherwise classified.....	109	113	86
Total, dividends and other earnings..	1,392,917	1,724,543	1,819,520
1800 RENTS			
1810 Rent of land.....	17,029	19,044	20,013
1820 Rent on Outer Continental Shelf lands.....	42,224	152,000	335,000
1830 Rent of real property, not otherwise classified.....	17,796	17,402	17,154
1840 Rent of equipment and other personal property.....	32,444	33,906	35,561
Total, rents.....	109,493	222,352	407,728
2000 ROYALTIES			
2020 Royalties on Outer Continental Shelf lands.....	11,246	13,000	65,000
2030 Miscellaneous royalties on natural resources: 2031 Moneys due Oklahoma from oil and gas royalties, Act of March 4, 1923, as amended.....	3	10	10

Source		1965 actual	1966 estimate	1967 estimate
2000 ROYALTIES (continued)				
2039	Royalties on natural resources, not otherwise classified.....	120,452	132,801	138,662
	Total, miscellaneous royalties on natural resources.....	120,455	132,811	132,672
2040	Royalties on patents and copyrights....	357	367	385
	Total, royalties.....	132,058	146,178	204,057
2200 SALE OF PRODUCTS				
2210	Sale of agricultural products, live- stock and livestock products.....	1,909	1,861	1,860
	Proposed legislation.....	-	-	-1,700
	Total, sale of agricultural products livestock and livestock products....	1,909	1,861	160
2220	Sale of timber, wildlife, and other natural land products:			
2227	Sale of timber and other products from revested Oregon and California grant lands (25%).....	10,265	10,625	9,750
2229	Sale of timber, wildlife, and other natural land products, not otherwise classified.....	181,643	186,726	196,098
	Total, sale of timber, wildlife, and other natural land products.....	191,908	197,351	205,848
2230	Sale of minerals and mineral products..	11,345	11,410	11,610
2240	Sale of power and other utilities:			
2241	Sale and transmission of electric energy, Bonneville project, Oregon.....	72,008	77,262	81,608
	Proposed legislation.....	-	-38,951	-40,432
2242	Sale and transmission of electric energy, Eklutna project, Alaska..	1,500	1,400	1,500
2245	Sale and transmission of electric energy, Falcon Dam, Texas.....	284	320	395
2247	Sale and transmission of electric energy, Southwestern Power Admin- istration.....	12,217	16,946	21,564
	Proposed legislation.....	-	-1,731	-3,325

Source		1965 actual	1966 estimate	1967 estimate
2200 SALE OF PRODUCTS (continued)				
2248	Sale and transmission of electric energy, Southeastern Power Administration.....	23,519	25,200	26,200
	Proposed legislation.....	-	-25,200	-26,200
2249	Sale of power and other utilities: not otherwise classified.....	104,112	111,389	120,510
	Proposed legislation.....	-	-13,100	-13,400
	Total, sale of power and other utilities.....	213,640	153,535	168,420
2250	Sale of publications and reproductions..	7,401	7,890	8,275
2290	Sale of miscellaneous products and by-products.....	1,201	1,231	1,240
	Total, sale of products.....	427,404	373,278	395,553
2400 FEES AND OTHER CHARGES FOR SERVICES AND SPECIAL BENEFITS				
2410	Fees and other charges for administrative, professional and judicial services:			
2411	Fees and other charges for legal and judicial services.....	4,065	4,195	4,378
2412	Fees and other charges for accounting and auditing services.....	170	167	177
2413	Deductions from awards of Mixed Claims Commission, United States and Germany, Settlement of War Claims Act of 1928, Sec. 2(e).....	19	20	20
2415	Charges for expenses, International Claims Settlement Act of 1949.....	592	7,700	1,695
2416	Charges for expenses, Sec. 901, Social Security Act, as amended...	5,883	6,646	6,762
2418	Charges for services to public enterprise funds.....	413	413	413
2419	Fees and other charges for other administrative services.....	7,399	8,324	9,327
	Total, fees and other charges for administrative, professional and judicial services.....	18,541	27,465	22,772

Source		1965 actual	1966 estimate	1967 estimate
2400 FEES AND OTHER CHARGES FOR SERVICES AND SPECIAL BENEFITS (continued)				
2420	Fees and other charges for communication and transportation services:			
2424	Recoveries, expenses of international service of ice observation and patrol.....	276	295	295
2425	Postal receipts, Canal Zone Government.....	1,211	1,273	1,240
2429	Fees and other charges for communication and transportation services, not otherwise classified	15,304	17,881	19,664
	Total, fees and other charges for communication and transportation services.....	16,791	19,449	21,199
2430	Charges for subsistence, laundry, and health services.....	5,508	5,991	6,502
2440	Charges for testing, inspection and grading services:			
2441	Overtime service, Federal Communications Commission.....	8	10	10
2442	Overtime service, marine inspection and navigation.....	32	35	35
2449	Charges for testing, inspection and grading services, not otherwise classified.....	2,752	2,774	3,054
	Proposed legislation.....	-	-	2,495
	Total, charges for testing, inspection and grading services.....	2,792	2,819	5,594
2450	Fees and other charges for services provided to the District of Columbia..	4,939	5,574	5,712
2460	Fees and other charges for special benefits:			
2461	Licensee benefit charges.....	2,160	3,067	3,178
2462	Deposits for survivor annuity benefits.....	215	235	255
2463	Reimbursement by Panama Canal Company for annuity payment to Republic of Panama under treaty..	430	430	430

Source		1965 actual	1966 estimate	1967 estimate
2400 FEES AND OTHER CHARGES FOR SERVICES AND SPECIAL BENEFITS (continued)				
2469	Fees and other charges for special benefits, not otherwise classified.	14	-	-
	Total, fees and other charges for special benefits.....	2,819	3,732	3,863
2470	Fees and other charges for general governmental services:			
2471	Reimbursement for net cost of operations of Canal Zone Govern- ment less tolls on U.S. Govern- ment vessels.....	16,725	17,590	18,515
2490	Fees and other charges for miscellaneous services:			
2491	Fees and other charges for miscellaneous services.....	6,103	7,267	7,801
	Proposed legislation:			
2493	Reimbursement for expenses and services, Southwestern Power Administration.....	-	2,652	2,757
2494	Reimbursement for expenses and services, Bonneville Power Administration.....	-	6,421	6,142
2499	Reimbursement of expenses, Sec. 201(g) of Social Security Act, as amended.	53,480	52,448	61,675
	Total, fees and other charges for miscellaneous services.....	59,583	68,788	78,375
	Total, fees and other charges for services and special benefits.....	127,698	151,408	162,532
2600 SALE OF GOVERNMENT PROPERTY				
2610	Sale of public domain:			
2611	Sale of town lots and standing timber, Alaska.....	23	-	-
2612	Sale of public land and materials, 5% fund to States.....	493	246	265
2619	Sale of public domain, not otherwise classified.....	2,896	3,350	3,404
	Total, sale of public domain.....	3,412	3,596	3,669

Source		1965 actual	1966 estimate	1967 estimate
2600 SALE OF GOVERNMENT PROPERTY (continued)				
2620	Sale of other real property:			
2622	Proceeds from sale of land, Columbia Basin land develop- ment program.....	595	550	550
2629	Sale of other real property, not otherwise classified.....	91,089	71,012	68,635
	Total, sale of other real property....	91,684	71,562	69,185
2630)				
2640)	Sale of equipment and other personal property:			
2631	Sale of vessels, Titles V and VII, Merchant Marine Act, as amended..	9,455	6,998	6,952
2633	Net proceeds from surplus property in foreign areas, other than foreign exchange conversions.....	33,928	36,463	38,103
2635	Proceeds from surplus vessels.....	3,449	7,471	6,571
2636	Proceeds of sales or disposi- tions from strategic and critical materials stockpile.....	280,029	803,775	825,727
2637	Net proceeds from surplus property in United States.....	-19,586	30,911	36,653
2649	Proceeds from sale of equipment and other personal property, not otherwise classified.....	9,974	10,462	10,461
	Proposed legislation.....	-	-	29,993
	Total, sale of equipment and other personal property.....	317,249	896,080	952,460
2650	Sale of scrap and salvage materials.....	19,008	37,616	30,569
	Total, sale of Government property....	431,353	1,008,854	1,057,883
2800 REALIZATION UPON LOANS AND INVESTMENTS				
2820	Repayment of investment in liquidated enterprises and special funds.....	10,118	4,377	4,502

Source		1965 actual	1966 estimate	1967 estimate
2800 REALIZATION UPON LOANS AND INVESTMENTS (continued)				
2840	Repayments of loans to States, municipalities and other public bodies:			
2841	Repayment of public works loans to the District of Columbia.....	2,059	2,518	2,948
2842	Repayment by District of Columbia for advances for acquisition of lands under Sec. 4, Act of May 29, 1930, as amended (National Capital Planning Commission).....	943	-	350
2843	Repayment of advances under Temporary Unemployment Compensation Act of 1958.....	188,109	102,021	42,516
2844	Repayment of advances under Temporary Extended Unemployment Compensation Act of 1961.....	466	-	-
2849	Repayments of loans to States, municipalities and other public bodies, not otherwise classified.....	370	519	1,050
Total, repayment of loans to States, municipalities and other public bodies.....		191,947	105,058	46,864
2850	Repayment of domestic loans to individuals and private organizations:			
2856	Repayment of Rural Electrification Administration loans.....	177,264	180,400	186,300
	Proposed legislation.....	-	-180,400	-186,300
2857	Repayment of Farmers Home Administration loans.....	36,970	-	-
2859	Repayment of other domestic loans..	881	1,041	1,213
Total, repayment of domestic loans to individuals and private organizations.....		215,115	1,041	1,215
2860	Repayment of foreign loans:			
2861	Repayment of loans to United Kingdom.....	-	-	59,671

Source		1965 actual	1966 estimate	1967 estimate
2800 REALIZATION UPON LOANS AND INVESTMENTS (continued)				
2862	Repayment on agreement dated February 27, 1953, Federal Republic of Germany.....	-	872	7,163
2863	Repayment of loans for United Nations headquarters.....	2,500	2,500	2,500
2868	Repayment of loans, Foreign Assistance Act of 1961.....	28,027	29,196	28,616
2869	Repayment of loans to foreign governments, not otherwise classified.....	33,168	34,730	35,716
Total, repayment of foreign loans.....		63,695	67,298	133,666
2880 Repayments of miscellaneous recoverable costs:				
2881	Repayment of reimbursable construction charges, Bureau of Indian Affairs.....	353	400	400
2882	Recoveries on account of reimbursable costs under Alaska Public Works Act.....	579	175	175
2883	Recoveries of reimbursable maintenance charges, Bureau of Indian Affairs.....	4,038	3,990	3,990
2884	Repayment of reimbursable construction charges, District of Columbia.....	199	199	199
2889	Repayment of miscellaneous recoverable costs, not otherwise classified.....	6,129	1,054	1,052
Total, repayments on miscellaneous recoverable costs.....		11,298	5,818	5,816
2890 Miscellaneous repayments of loans and investments:				
2899	Miscellaneous repayments of loans and investments.....	4,074	1,706	1,707
Total, realization upon loans and investments.....		496,247	185,298	193,768

Source		1965 actual	1966 estimate	1967 estimate
3000 RECOVERIES AND REFUNDS				
3010	Compensation for Government property lost or damaged:			
3011	Recoveries for Government property lost or damaged, National Guard.....	239	250	250
3019	Recoveries for Government property lost or damaged, not otherwise classified.....	4,657	4,788	4,792
	Total, compensation for Government property lost or damaged.....	4,896	5,038	5,042
3020	War reparations and recoveries under military occupation:			
3025	Recoveries under military occupation, other than foreign exchange conversions.....	34,103	34,950	35,802
3030	Recoveries of excess profits and costs:			
3031	Recoveries under renegotiation program.....	24,449	18,500	9,300
3032	Miscellaneous recoveries of excess profits and costs.....	687	666	661
	Total, recoveries of excess profits and costs.....	25,136	19,166	9,961
3040	Recoveries under foreign aid program:			
3042	Recoveries--defense aid, commodities, supplies and services, other than foreign exchange conversions.....	18,134	17,668	27,347
3043	Recoveries--economic and technical assistance to foreign nations, foreign exchange conversions.....	12,243	12,748	12,494
3047	Recoveries--military assistance to foreign nations, other than foreign exchange conversions.....	8,341	8,786	8,646
3049	Miscellaneous recoveries on foreign aid programs, other than foreign exchange conversions.....	54	651	50
	Total, recoveries under foreign aid programs.....	38,772	39,853	48,537

Source		1965 actual	1966 estimate	1967 estimate
3000 RECOVERIES AND REFUNDS (continued)				
3050 Recoveries on guarantees and indemnities:				
3051 Recoveries--informational media guarantees, foreign exchange conversions.....		651	679	665
3059 Recoveries on guarantees and indemnities, not otherwise classified.....		70	-	-
Total, recoveries on guarantees and indemnities.....		721	679	665
3060 Refunds of erroneous payments.....		4,489	4,524	4,524
3070 Recoveries under social security programs:				
3071 Recovery of expenses under Temporary Unemployment Compensation Act of 1958.....		3,832	-	-
3090 Miscellaneous recoveries and refunds:				
3095 Recoveries of cultural presentations abroad.....		213	200	200
3096 Recoveries of certain medical costs from third parties, Public Law 87-693.....		200	250	260
3099 Miscellaneous recoveries and refunds, not otherwise classified.		19,489	21,352	22,212
Total, miscellaneous recoveries and refunds.....		19,902	21,802	22,672
Total, recoveries and refunds.....		131,851	125,834	127,203
Total, miscellaneous receipts under existing and proposed legislation.....		4,622,336	5,793,537	7,049,750

Note.--Detail may not add to totals because of rounding.

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Secretary FOWLER. Yes; these are reflected on page 62 of the budget document under "Miscellaneous receipts."

The second item, just below the middle of the page on "Table 13: Sources of Receipts," shows \$902 million for seigniorage and bullion charges in 1966 and \$1,570 million for seigniorage and bullion charges in 1967.

Mr. BYRNES. Now that is another sort of a windfall, isn't it?

Secretary FOWLER. A good piece of business.

Mr. BYRNES. What have your revenues been from seigniorage in the past?

Secretary FOWLER. They have been very limited. I don't have in front of me anything going back beyond 1965, but in 1965, including bullion charges, it was \$118 million.

Mr. BYRNES. Will that fall off?

Secretary FOWLER. Yes, sir.

Mr. BYRNES. When does it fall off? When do you estimate that starts falling off? What will we get, if you can make a judgment, in 1968 and 1969 from seigniorage?

Secretary FOWLER. I would prefer to supply that for the record, if I may.

(The following information was received by the committee:)

The amount of seigniorage in years after fiscal 1967 will depend upon coin production, which will be determined by coin demand. If we assume a return to the production level of fiscal 1965, seigniorage would be approximately \$450 million. At the fiscal 1964 level of production, seigniorage would be about \$250 million.

Mr. BYRNES. Will there be a considerable drop?

Secretary FOWLER. Considerable drop.

Mr. BYRNES. Well, one of the things that concerns me Mr. Secretary, is what we are doing, not just for 1967, but also for 1968, particularly in the receipts area. We are doing very little, frankly, in my judgment, in holding the line in the area of expenditures. We are starting some new spending programs according to the President's message with the typical low downpayment used to great advantage by the installment sellers. The poor purchaser wakes up a couple of years later and finds that it costs him a lot more than he thought it would. Yet, we are embarking on these new programs. We are committing ourselves and simultaneously making things look rosy today by anticipating 1968 fiscal receipts in fiscal 1967.

What I worry about is what we will do when we reach 1968? Maybe we can weather this by stealing from the future.

Secretary FOWLER. I think that you must not omit the other imponderable—the fact of the additional \$10½ billion for special costs in Vietnam. I think we would all hope these costs would not be a permanent element in the expenditure base.

Mr. BYRNES. What if it does recur for the next few years?

Secretary FOWLER. No one can foresee when that will be terminated as a charge on the revenue. If it continues into fiscal year 1968, as is possible, there will then be a question of allocating revenues from, presumably, a growing economy to substitute for these one-shot measures that have been pulled in to meet the current situation.

We look to the increment of \$7 billion or \$7½ billion a year out of a larger taxable base as our main support in dealing with the problems that may occur in 1968.

Mr. BYRNES. But that leaves very little provision for other contingencies that occur.

Secretary FOWLER. Well, I don't know what contingencies you have in mind. Of course the contingency of a major conflict is always one that—

Mr. BYRNES. You are not even taking into consideration, apparently, the continuation of the Vietnam situation at the current level in 1968 and yet you give us your assurance that—

Secretary FOWLER. Oh, yes, I think that is being taken into account. You measure some of these items that would drop out against anticipated revenue from anticipated growth and to that extent—

Mr. BYRNES. Growth or inflation, which?

Secretary FOWLER. Growth. There will be, undoubtedly, some price element involved.

Mr. BYRNES. Because that certainly reflects itself, does it not?

Secretary FOWLER. Well I think it reflected itself in 1965 to a measured extent. It would reflect itself again.

Mr. BYRNES. Again the inflation that we already have, it reflects itself in your estimate of receipts from personal income and corporate income taxes, does it not?

Secretary FOWLER. I would not characterize it as inflation. That involves some kind of objective judgment, but it certainly takes into account the price change that has occurred in calendar 1965.

Mr. BYRNES. And it is anticipated in 1966 and 1967. Didn't I see where there was an anticipated increase of at least 2 percent?

Secretary FOWLER. I think the general figure is about 1.9 percent.

Mr. BYRNES. Close.

Secretary FOWLER. Well, I should correct that by saying that is probably the so-called price deflator, which is somewhat different from price inflation. But I would be prepared to say that it would be reasonable to expect price increases in 1966 to be in the general neighborhood of what they were in 1965.

Mr. BYRNES. Are you talking about calendar year 1965?

Secretary FOWLER. Yes.

Mr. BYRNES. Or calendar year 1966?

Secretary FOWLER. I think there will be price increases in 1966. I think that is a reasonable expectation.

Mr. BYRNES. I think from what you can see in the general economic picture today it is quite reasonable to expect an inflation breakthrough.

Secretary FOWLER. I think a great deal depends on the character or the strength that is exercised by those in the private wage setting and price setting areas.

Mr. BYRNES. I think there are some restrictions Uncle Sam could use, too, and that I don't think show up in the over \$5 billion increases in domestic expenditures that we have talked about.

I would hope that we can realize the 4.7 savings that the President suggests are expenditures that are now obsolete or that we don't have to engage in, but I don't know whether we have to at a time like this enlarge and expand and bring in new programs to the tune of \$5.3 billion. There is where I have some misgivings.

That is all.

The CHAIRMAN. Any further questions?

Mr. ULLMAN. Mr. Chairman.

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. Mr. Schultze, I want to join in welcoming you before the committee on your first appearance here.

In the area of reduced expenditures, what is the picture on resource expenditures?

Mr. SCHULTZE. Let's see. I can give you two or three points, Mr. Ullman. With respect to new starts on major water resource projects—which is one aspect of this—we have attempted to steer a middle path. We have not gone to a “no new starts policy” which would have been possible; rather, we reduced the number of new starts both in the case of the Corps of Engineers and in the case of the small watershed projects in the Department of Agriculture by a sizable but still reasonable amount.

For example, in the case of the corps, instead of 41 new projects, we started last year there are 25. In the case of the watershed program, instead of 80, there will be 35. Reductions of this order of magnitude are still a continuation of the program.

If you want to take a look at the total expenditures for water resources—a large part of these expenditures we realize flow from contracts let last year and in prior years—the total expenditures for land and water resources rise by over \$100 million between the 2 years, 1966 and 1967.

Mr. ULLMAN. Increases, you say?

Mr. SCHULTZE. It increases, but in a relatively modest amount from \$2 billion to \$2.1 billion.

Mr. ULLMAN. This is land and water resources?

Mr. SCHULTZE. Yes.

Mr. ULLMAN. So that there are not any actual cuts reflected in your figures here?

Mr. SCHULTZE. As I say, it depends on how you want to go at it. Within that total there are, as I indicated, some programs reductions that are there. In the case of lower levels of new starts than we had last year or the year before, given the situation in Vietnam, we did feel that this year it would be perfectly proper and warranted to reduce the level of new starts; but, primarily—not solely—because of ongoing construction work started in prior years, the total expenditures of these programs will rise less.

Mr. ULLMAN. Referring to the column in your table on page 9 that shows a reduction in administrative budget expenditures of all other items, what does that minus 3.7 actually reflect?

Mr. SCHULTZE. This table is an attempt to show the picture of the budget over a 3-year period. In this case, it shows a reduction from the actual 1964 level to the estimated 1967 level.

Mr. ULLMAN. Yes. And the figures that you have under 1966 and 1967 are your—

Mr. SCHULTZE. In both cases, those are both estimates. Of course, 1966 fiscal is not over.

Mr. ULLMAN. But if the estimates are carried through they will show an actual minus \$3.7 billion.

Mr. SCHULTZE. From 1964 to 1967; that is correct.

Mr. ULLMAN. Turning to your comments on pooling and the selling of Government mortgages—and the Secretary of the Treasury might want to comment on this—would you comment on the effects of your actions on the impact upon the supply of money.

Secretary FOWLER. The supply of money?

Mr. ULLMAN. Yes. When you convert Federal obligations into private obligations you are moving into the private money market.

What, in general, is the situation with respect to the money supply now and will this have any substantial impact upon the private money supply?

Secretary FOWLER. Well, the money supply during 1965 has increased rapidly. That would be a general characterization. But I can supply the figures for you on that.

(The following table was received by the committee:)

*Money supply, seasonally adjusted*¹

[In billions of dollars]

Month	1958	1959	1960	1961	1962	1963	1964	1965	1966
January.....	135.5	141.6	141.7	141.2	145.5	148.0	153.6	160.0	-----
February.....	136.2	142.0	141.3	141.8	145.8	148.6	153.8	159.7	-----
March.....	136.5	142.5	140.9	142.0	146.0	148.8	154.1	160.3	-----
April.....	137.0	142.7	140.8	142.3	146.5	149.3	154.5	161.1	-----
May.....	137.5	143.2	140.3	142.7	146.1	149.7	154.5	160.0	-----
June.....	138.4	143.4	140.1	143.0	146.2	150.2	155.5	161.8	-----
July.....	138.4	144.1	140.4	143.0	146.1	151.0	156.6	162.5	-----
August.....	139.1	143.6	140.9	143.3	146.0	151.3	157.1	162.7	-----
September.....	139.5	143.3	141.1	143.9	145.8	151.6	158.2	164.3	-----
October.....	140.1	142.9	141.1	144.3	146.4	152.3	158.8	165.6	-----
November.....	140.9	142.7	140.8	145.0	146.0	153.2	159.1	165.7	-----
December.....	141.1	141.9	141.1	145.5	147.5	153.1	159.7	167.4	-----

¹ Revised series: Money supply consists of (1) demand deposits at all commercial banks other than those due to domestic commercial banks and U.S. Government, less cash items in process of collection and Federal Reserve float; (2) foreign demand balances at Federal Reserve banks; and (3) currency outside the Treasury, the Federal Reserve System, and vaults of all commercial banks.

Mr. ULLMAN. To what do you attribute that?

Secretary FOWLER. To the very large demand for credit and the monetary policy followed by the Federal Reserve System.

Mr. ULLMAN. In other words, from the point of view——

Secretary FOWLER. I think I have given you only a part of the answer.

There has been a very substantial increase in the money supply, which can be attributed to a very large increase in credit demands. This situation might continue.

As I remarked to Congressman Byrnes, we would either have to sell the assets that are indicated or go into the market and borrow through the regular Treasury borrowing procedures. Whichever way you go in this process, there will be an impact on the money market; it is inescapable.

Mr. ULLMAN. I can understand that. Well, if there is a substantial increase in the supply of money, then I take it interest rates are no criteria of the general supply situation?

Secretary FOWLER. Because there has been during this period a very sharp increase in demand for credit.

Mr. ULLMAN. Nevertheless, with the sharp increase you say there is an abundant supply.

Secretary FOWLER. No, I didn't mean to say there was an abundant supply. I meant to say that both money supply and credit have gone up very substantially in the last year. Time deposits have been up

very, very sharply. Certainly if you define "money supply" in very broad terms to include time deposits, the increase has been very substantial.

Using a narrow definition, they have been up moderately.

Mr. ULLMAN. My question went to the availability of money in the marketplace. Normally, if you have a good availability and a plentiful supply, there is no justification in the marketplace for an increased cost of that commodity.

Secretary FOWLER. I think the factors that have been at work, taking into account the credit that has been made available to the lending institutions through the normal reserve creation processes, measured against the demand for money, have produced a market situation which is tight and has led to increases in interest rates.

Mr. ULLMAN. Are you saying, then, that we are in a period of relatively tight money?

Secretary FOWLER. Well, relatively, these are very difficult adjectives.

Mr. ULLMAN. Well, relative to the last year and the year before.

Secretary FOWLER. I would say there has been. When you measure demand against supply, the situation in the money markets over the past year, currently, and looking ahead, is, and may be much tighter than it was in 1964, 1963, or 1962.

Mr. ULLMAN. Under the pressures of the economy today, what do you anticipate in looking ahead in fiscal 1967 with respect to money supplied?

Secretary FOWLER. It is awfully hard to look ahead, Congressman Ullman, but I would say currently, the situation as we see it over the months ahead will continue to be relatively tight in the terms in which we have defined them.

Mr. ULLMAN. Aren't there measures that you can take as Secretary of the Treasury to relieve the pressures on money?

Secretary FOWLER. Of course the use of the monetary devices comes into play here. Coming in with a major fiscal program involving substantial increases in taxation may have an effect on this matter. That, in turn, might indirectly relieve some demands for credit that otherwise would exist. But the direct tools that are applicable to the money supply situation are those which the Congress has delegated to the Federal Reserve System.

Mr. ULLMAN. Well, this is true, except that I am convinced that you have to live in the climate created by them, you have to respond to their actions, and it seems to me that there is a wide, wide range of policies under your direction that could influence the outcome.

Secretary FOWLER. I would not agree with that statement as far as direct effect is concerned. To some extent debt management has a role to play; but after all, the bills have to be paid, the money has to be raised, and the operations of the Treasury in that field have very definite limitations upon them.

Mr. ULLMAN. One of the most disturbing things about the report is the fact that the interest rate increases are accelerated. I wish this report on the cost of interest would go back beyond 1964. I refer my question to Mr. Schultze. The actual increases in interest rates here do not reflect increase in debt?

Mr. SCHULTZE. Meaning the interest payments of the Federal Government. You are correct, if I understand your question.

Mr. ULLMAN. Federal interest payments do not reflect the size of the debt. The ratio of increase does not reflect the ratio——

Mr. SCHULTZE. That is correct.

Mr. ULLMAN. They reflect primarily an increase in interest rates rather than an increase in Federal debt.

Mr. SCHULTZE. That is correct.

Secretary FOWLER. Mr. Ullman, let me say on this score that since 1951 at the time of the so-called Federal Reserve accord—which eliminated the practice generally described as pegging the rate at which the Government would borrow money—there has been a substantial increase in the interest charges to the Federal Government.

For example, borrowing on so-called 90-day bills used to be at a general rate of about a $2\frac{1}{4}$ to $2\frac{1}{2}$ percent range.

This has gone up through the years. For example, had we been before you about this time last year, the rate would have been in that general range of 3.80 percent. Today the rate is 4.60 to 4.70 percent for short-term money.

Now during the last 3 to 4 years, the increased cost of short-term money, while it cost the Treasury and the taxpayer more, had one side effect which was quite desirable. That was that it assisted our balance-of-payment situation. If the differential between short-term money here and the much higher rates overseas is too substantial, money begins to flow overseas to find the higher rate of return.

The new factor that has emerged over the last 6 months is that not only have short-term rates gone up substantially, as my previous figures have indicated, but also the long-term interest rates, which during this period have remained fairly level—although in historical terms on a high level—started to move up beginning in the fall and have moved up also somewhat substantially.

These are the factors. I am simply reciting the facts going into increased interest charges that the Government has to pay for its money.

Mr. ULLMAN. I do not agree with the general philosophy that the impact on the balance of payments of short-term money is as important as some others would say it was, but looking at the figures from the defference, in other words, between 1965 actual and 1967 estimate, a period of 2 years, we have got an increase of \$1.5 billion in the cost of interest.

Now I would like to know to what extent this is in short-term obligations and to what extent that it is in long-term obligations. Do you have those figures?

Secretary FOWLER. I can characterize the maturity picture of the debt in these general terms—I will supply the figures for you later in detail. The maturity of the debt had been at a very low figure in 1960, I think it got as low as 4 years and 2 or 3 months in 1960. By debt management operations, the maturity was extended until it reached a point last year of about 5 years and 5 months.

(The following table was received by the committee:)

Maturity distribution and average length of the market, interest-bearing public debt¹

[In billions of dollars]

End of fiscal year or month	Amount outstanding	Maturity classes					Average length
		Within 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and over	
June:							
1955-----	\$155.2	\$49.7	\$39.1	\$34.3	\$28.6	\$3.5	5 years 10 months.
1956-----	155.0	58.7	34.4	28.9	28.6	4.4	5 years 4 months.
1957-----	155.7	72.0	40.7	12.3	26.4	4.3	4 years 9 months.
1958-----	166.7	67.8	42.6	21.5	27.7	7.2	5 years 3 months.
1959-----	178.0	73.0	58.3	17.1	21.6	8.1	4 years 7 months.
1960-----	183.8	70.5	72.8	20.2	12.6	7.7	4 years 4 months.
1961-----	187.1	81.1	58.4	26.4	10.2	11.0	4 years 6 months.
1962-----	196.1	88.4	57.0	26.0	9.3	15.2	4 years 11 months.
1963-----	203.5	85.3	58.0	37.4	8.4	14.4	5 years 1 month.
1964-----	206.5	81.4	65.5	34.9	8.4	16.3	5 years.
1965-----	208.7	87.6	56.2	39.2	8.4	17.2	5 years 4 months.
1964-July-----	206.8	77.2	60.7	43.0	8.4	17.5	Do.
August-----	207.7	81.4	57.4	43.0	8.4	17.5	Do.
September-----	209.0	82.7	57.5	43.0	8.4	17.5	5 years 3 months.
October-----	210.1	84.1	63.4	36.7	8.4	17.5	5 years 2 months.
November-----	212.4	88.4	61.4	39.0	6.1	17.5	5 years 1 month.
December-----	212.5	88.5	64.0	36.4	6.1	17.5	5 years.
1965-January-----	214.4	86.8	57.9	43.9	6.1	19.7	5 years 5 months.
February-----	214.9	89.8	59.7	39.5	6.1	19.7	5 years 4 months.
March-----	212.5	87.5	62.1	37.1	6.1	19.6	Do.
April-----	212.5	88.1	61.5	37.1	6.1	19.6	5 years 3 months.
May-----	211.0	89.9	56.2	39.2	8.4	17.3	5 years 4 months.
June-----	208.7	87.6	56.2	39.2	8.4	17.2	Do.
July-----	208.7	87.6	56.2	39.2	8.4	17.2	5 years 3 months.
August-----	208.4	92.4	55.3	35.0	8.4	17.2	Do.
September-----	208.4	92.4	55.3	35.0	8.4	17.2	Do.
October-----	212.1	96.5	55.0	35.0	8.4	17.2	5 years 1 month.
November-----	214.6	93.4	60.6	35.0	8.4	17.2	5 years.
December-----	214.6	93.4	60.6	35.0	8.4	17.1	Do.
1966-January (estimate)-----	215.5	96.3	60.6	35.0	8.4	17.1	4 years 10 months.

¹ All issues classified to final maturity except partially tax-exempt bonds which are classified to earliest call date. The last of these bonds were called on Aug. 14, 1962, for redemption on Dec. 15, 1962.

² Excludes \$998,000,000 Treasury bills maturing May 31, 1966, for which settlement was made on June 1, 1965.

NOTE.—Dollar figures may not add to totals because of rounding.

Secretary FOWLER. Due to the situation that we have encountered in the intervening period, the maturity of the debt is down now to 5 years. Much of the added interest cost is due to the fact we have a very substantial part of our debt in bills.

Mr. ULLMAN. What is the significance of this reversal in trend moving away from long-term back into short-term financing?

Secretary FOWLER. We built up the cushion when we could, Mr. Ullman, and we have hesitated to go out and commit ourselves to long-term commitments at the higher rates of interest that were beginning to prevail in the long-term market.

Mr. ULLMAN. What is the rate that you have to pay now for long-term obligations?

Secretary FOWLER. We have not made any recently, sir.

Mr. ULLMAN. You are financing entirely with short-term notes?

Secretary FOWLER. We are going as far as 4 years and three-quarters in the current offering. That is as high as we have been recently. We have been in the short-term market, by and large, for the reasons I have indicated.

Mr. ULLMAN. And you are using the discount device to go in the marketplace?

Secretary FOWLER. No.

Mr. ULLMAN. What are you paying?

Secretary FOWLER. Five percent.

Mr. ULLMAN. Five percent?

Secretary FOWLER. That is right.

Mr. ULLMAN. And the limit on interest rates applies only to financing beyond 5 years, does it not, under statutory limit?

Secretary FOWLER. That is right.

Mr. ULLMAN. When did you last issue a long-range bond?

Secretary FOWLER. In May.

Mr. ULLMAN. You think it was in May?

Secretary FOWLER. Yes.

Mr. ULLMAN. What was the actual figure you had to pay then in terms of computing the——

Secretary FOWLER. Just under $4\frac{1}{4}$ percent.

Mr. ULLMAN. Just under $4\frac{1}{4}$?

Secretary FOWLER. Yes.

Mr. ULLMAN. Is it your feeling that you could not sell them now in the marketplace?

Secretary FOWLER. You mean a long-term bond for $4\frac{1}{4}$ percent?

Mr. ULLMAN. Yes.

Secretary FOWLER. We could not, Mr. Ullman.

Mr. ULLMAN. You say, though, that you did in May?

Secretary FOWLER. That is correct. Long-term interest rates went up substantially during the fall.

Mr. ULLMAN. Getting back to the original question, this $\$1\frac{1}{2}$ billion increase in interest between 1965 and 1967 is reflected in short-term obligations?

Secretary FOWLER. That is correct.

Mr. ULLMAN. Mr. Chairman, I am not going to pursue this matter further. I would hope that we at some time in the not too distant future could go rather deeply into this problem of interest rates and the debt management so that we could get a clearer picture of exactly what the situation is with respect to the money supply and the management.

Secretary FOWLER. I would be delighted to go into the debt management side. However, if we are going into the interest rate question, there is another agency that is far more qualified to deal with that problem; namely, the Federal Reserve Board. I think you will have an incomplete and inadequate picture because I cannot answer for, or make responses to, or deal with the exercise of the powers of the Federal Reserve Board under its charter from the Congress.

Mr. ULLMAN. Mr. Chairman, because those policies are vital to what we are considering here, they are a very integral part of the whole problem, I would hope that we could have Governor Martin up here at some time.

Mr. KEOGH (presiding). I would say that in my opinion there is no one more qualified to discuss these matters than the Secretary of the Treasury in spite of his seeming modesty.

Secretary FOWLER. But there is very little that he can do about it.

Mr. KEOGH. We might have an opportunity soon to go into these items that Mr. Ullman has just mentioned.

Secretary FOWLER. Particularly the debt management part.

Mr. KEOGH. Mr. Utt.

Mr. UTT. Mr. Chairman, I had a question or two but the time is getting long. The one question I wanted to ask of Mr. Schultze relates to page 4 of his statement. He proposed whatever fiscal measures are warranted to maintain economic stability. Is one of those measures wage and price control?

Mr. SCHULTZE. No; the term "fiscal" does not cover that.

Mr. UTT. Would you say wage and price control is not within the foreseeable future?

Mr. SCHULTZE. I certainly have no knowledge, not in the foreseeable future, as I see it. Quite correct, it is not.

Mr. UTT. The reason I ask, I have had at least three or four phone calls from around the country, especially since the Chicago Tribune came out with the story yesterday that it was in the air.

Mr. SCHULTZE. If it is in the air, it is in the air outside the councils of the administration as I know them.

Mr. UTT. Second, in raising additional money, did the administration make any attempt to raise the interest rate for rural electrification?

Mr. SCHULTZE. No, sir; the administration has made no recommendation for that. At the same time, we do have under consideration alternative measures of financing and making provision for the needs of the Rural Electrification Administration but there has been no proposal made by the administration yet.

Mr. UTT. Aren't you a little optimistic about selling the metal stockpiles at a profit?

Mr. SCHULTZE. Excuse me, sir?

Mr. UTT. Aren't you a little optimistic about selling the stockpiles at a profit?

Mr. SCHULTZE. Already this year, fiscal 1966 we have sold something in the neighborhood of a half billion dollars.

Mr. UTT. Isn't that in the area of copper, silver, quicksilver, aluminum, and platinum?

Mr. SCHULTZE. Copper is involved, silver is not involved. I am not sure about quicksilver.

Mr. UTT. But we have a great stockpile of tungsten which would have to be sold at a loss, would it not?

Mr. SCHULTZE. The specific price situation on tungsten—what we bought it for years ago relative to the price now—I don't know, Mr. Utt.

Mr. UTT. Likewise, for manganese?

Mr. SCHULTZE. Again, I think I have to point out in this, Mr. Utt, that all of this depends on what you mean by a loss. If a particular commodity were bought some years ago at a particular price and if the market now and in the foreseeable future—and I stress now and in the foreseeable future—is lower, you have already had the loss; so the active selling out now does not make the loss.

Mr. UTT. Of course, to that cost you would have to add about 20 years' storage.

Mr. SCHULTZE. Which we have already incurred; yes.

Mr. UTT. One other item I wanted to talk about was the school lunch program that Mr. Byrnes discussed.

I was wondering if there is not some other area of agriculture where we could save that \$200 million other than to eliminate or cut down on the school lunches?

Mr. SCHULTZE. Again let me point out that the school lunch program is being reduced very slightly. I think you were probably referring to the special milk program.

The school lunch program is reduced slightly, but as I indicated to Mr. Byrnes, what this means is not the modest reduction in the reimbursement rate but an increase in the program to get the school lunches in the really poor districts and to poor kids.

Mr. UTT. Separate agency?

Mr. SCHULTZE. No; Department of Agriculture.

Mr. UTT. I would like to conclude with one little example.

On the cotton program in California, I have an associate who owns some land in San Joaquin Valley, an orange grove, almost full grown. He could not grow cotton but he has a cotton allotment. The Agriculture Department came around and said: "We will give you \$35 an acre not to plant cotton." He replied, "Fine; that is good."

Then they came around and said: "You could grow a crop of corn after you finished with your cotton, so we will give you \$35 an acre more not to grow corn." That is \$70 an acre that he gets for not growing what he could not grow if he wanted to.

Then, thirdly, he has such a profitable crop that his neighbor pays him \$200 an acre for his cotton allotment. So you don't reduce the production of cotton, and the Government is still going to have to buy it.

We have just legalized what we put Billie Sol Estes in jail for, and that is traffic in cotton allotment, but we legalized it last year.

Now if there are 10,000 cotton farmers that are doing that same thing, we could save a lot more in the Agriculture Department in the cotton program than in the school lunch or milk program or any other program that I know of.

It seems to me that these programs are due for an examination in depth as to the administration of the agriculture program.

I wanted to get that on the record. I can furnish the name and the land, and the area, if anybody wants to follow it up.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Just following up the questions that Mr. Ullman propounded, I was wondering if you can show us how much is reflected in this increase of \$1.5 billion by the increase of interest rates as a result of the recent decision by Mr. Martin of the Federal Reserve Board?

How much of this \$1.5 billion is a result of this increase in the interest rates?

Secretary FOWLER. Congressman Burke, we have no such estimate. Problems of cause and effect, or approximate cause if we could talk lawyer terms for a moment, are very difficult to assess.

Mr. BURKE. What I am trying to find out is whether it is caused by increased borrowing—

Secretary FOWLER. No.

Mr. BURKE. Or is it caused by an increase in the interest rates?

Secretary FOWLER. A predominant percentage is the increase of interest rates on the money we have to borrow rather than the amount of the debt.

Mr. BURKE. I note here on page 9 your interest cost increased \$2.1 billion. The total increase of the budget outside of the Vietnam cost is \$4.6 billion and this means to me that the rise in interest rates is causing a 45-percent increase in its entire total increase.

Secretary FOWLER. That is right.

Mr. BURKE. This is a shocking thing, to find out that the action of the Federal Reserve Board is contributing to inflation as much as anyone else.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Mr. BYRNES. Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. In view of Mr. Ullman's fine questions, there is one rather important question I would like to ask.

This budget and this tax program really will have the effect, will it not, of further tightening money? The Government has to borrow if we don't pass the corporate speedup. For instance, the Government would have to borrow \$3.2 billion or the corporate structure has to provide the Government with \$3.2 billion. In some cases the corporations must borrow themselves in order to make these payments. This will draw money from the economy that would otherwise be available for loaning purposes.

Secretary FOWLER. I think these things are all more or less a standoff.

Mr. BYRNES. They are not standoff. They are standoff only if you spend as much money as you assume you are going to spend. It is a question, then, of who borrows it.

Mr. SCHULTZE. I think in order to get at that question you would have to look at the relative size of this deficit compared to the sizes of deficits in the last 4 or 5 years.

Mr. BYRNES. That is a factor. But I am talking about the factor of the money supply, which has its effect on the tightening of the credit. If you reduce that money supply, it is going to further tighten credit.

I do not see any way you can avoid it under the spending you are proposing. Either Uncle Sam is going out and borrow the money or you are going to pass these tax provisions which increase the tax revenue by some \$4.8 billion in fiscal 1967.

Secretary FOWLER. As I said to Congressman Burke, approximate cause is a difficult thing to determine. We could say the additional cost of the Vietnam war is a contributing factor, as it is, to the movement of interest rates in the money market.

It is very hard to pick out one particular thing and say that is the cause.

Mr. BYRNES. I am not picking out one single item. As far as the overall budget is concerned, I am not specifying any one item. I am referring to the entire budgetary picture. I wondered if I was not right in that conclusion, considering the budget as a whole.

Mr. SCHULTZE. I must still come back to the point I made earlier and say if you are talking about tightening the credit you are talking about a process over time, and in order to take the look at the impact of this budget on that process you have to look at what past budgets were and look at the deficit here and the total borrowing involved compared to what it was in the past.

You also have to look at the corporate profits, because, of course, this acceleration is relative to profits. So when you put all this into one set of considerations, I don't think it is quite so easy to say the budget will contribute to the tightening.

It may or may not, but it is simply because there is a combination of borrowing and acceleration.

Secretary FOWLER. Mr. Byrnes, if you look on page 39 of the budget, there are figures at the bottom under "Consolidated summary." The excess of payments to the public over receipts from the public in fiscal 1966 is \$6.9 billion. In fiscal 1967, according to the estimated receipts from the public will exceed payments to the public by \$0.5 billion.

(The table referred to follows:)

Consolidated summary

Description	1965 actual	1966 estimate	1967 estimate
Cash receipts:			
Administrative budget receipts.....	93.1	100.0	111.0
Trust fund receipts.....	31.0	33.5	41.6
Intragovernmental and other noncash transactions.....	-4.4	-5.4	-7.1
Total receipts from the public.....	119.7	128.2	145.5
Cash expenditures:			
Administrative budget expenditures.....	96.5	106.4	112.8
Trust expenditures.....	29.6	33.8	37.9
Intragovernmental and other noncash transactions.....	-3.7	-5.2	-5.7
Total payments to the public.....	122.4	135.0	145.0
Excess of receipts from (+) or payments to (-) the public.....	-2.7	-6.9	+ .5

NOTE.—For explanation of administrative budget funds and trust funds, see p. 164. For details on receipts, see table 13 on p. 60 to 66. For details on expenditures, see table 14 on pp. 145 to 159; for further detail, by agency and account, see pp. 168 to 375.

*Less than \$50,000,000.

Mr. BYRNES. Yes, but you are here to ask for \$4.8 billion in new taxes.

Secretary FOWLER. Some part of the \$6.9 billion would require the acceleration of corporate payments. I think it comes to about \$3.2 billion total.

Mr. BYRNES. What would the balance of your consolidated budget be, Mr. Secretary, if you don't pass the bill presently before us?

Secretary FOWLER. Sir? Is the question the amount of deficit without the bill before you?

Mr. BYRNES. Consolidated summary. What would that look like? What would be the figure if we didn't pass the bill that you have before us?

Secretary FOWLER. It would move it back up to around \$4.3 billion, if I understand your question correctly.

Mr. BYRNES. That is the point I am making. You have to consider what you are asking us to do.

Secretary FOWLER. Another factor that I think that might be relevant here is the public debt held by the public.

If you look on page 50 of the budget document, table No. 11, the net decrease in public debt held by the public, in fiscal year 1967 compared with fiscal year 1966 is \$3,086 million.

Mr. SCHULTZE. That is primarily because the trust funds each year accumulate reserves which they invest in Federal debt. If you want to get the impact of Federal borrowing, these are the figures to look at and these, of course, show the reduction in the debt held by the public.

So even if you offset against that the effect of acceleration and withholding, it would balance out very close to zero.

What I am saying is there are a number of factors that have to be taken into consideration in—

Mr. BYRNES. It does not show up on the receipts. You are also selling assets which takes money from the public.

Mr. SCHULTZE. Correct.

Mr. BYRNES. As far as the total impact of this budget on the area that Mr. Ullman was questioning about—the supply of money, the tightness of credit—I think this budget is bound to have considerable influence. This budget involves receipts from the sale of assets, from the corporate speedup, and from the increased taxes for automobile sales and telephones.

So without some of these items your consolidated budget would be much different. You are making it up by pulling this revenue out of the economy.

Mr. SCHULTZE. Mr. Byrnes, without really coming down to a judgment as to how this affects it, let's make all those adjustments in 1965 and let's make them in 1967, in other words, add the Treasury borrowing and assets sales and take account of the accelerated corporate withholding.

If you do that, the debt to be held by the public is about the same in 1965 as in 1967. Now what conclusion one draws from that is hard to say, but I think it does point up you cannot say automatically what has been going on in the last 3 years that this budget necessarily contributes to any tightening of credit per se.

Mr. BYRNES. I don't know how you can say that. At the corporate speedup for instance. I am not saying that I am against it.

I think even if we do not go through with all the spending programs we will need more money.

Also, we have to take the second step, which I think you are moving toward. Unless we do something to hold down spending and do it quickly, you are going to be asking for a second step in tax increases.

I have to point out that when you speed up corporate payments by \$3 billion, increase taxes by \$4.8 billion, it is going to have an effect of the general money supply and on credit; it has to have.

That is all I am trying to say. You just can't say we are operating in a neutral area.

Secretary FOWLER. Yes. It will have a number of effects. I think it will have the effect that you mention as well as the effect I have de-

scribed. It moves moderately in the direction of moderate restraint. It is hard to determine what effect that, in turn, will have on the overall money market situation.

There is no question about it. The tax program before the committee which results in an estimated deficit of \$1,800 million rather than an estimated deficit of better than \$6 billion in fiscal 1967, is going to be an economic factor. We think one of restraint.

For example, in calendar year 1966 the withdrawal of \$2.9 billion from the private sector will have some restraining effect; just how much, it is difficult to say.

Mr. BYRNES. That is all.

The CHAIRMAN. Any further questions?

Mr. ULLMAN. No, Mr. Chairman.

The CHAIRMAN. Mr. Schultze, we appreciate very much the fact that you are back in the Bureau of the Budget and especially that you are now the Director of the Bureau of the Budget.

We remember your previous appearances before the committee when you were Assistant Director. We are glad to have you back in the Government.

Mr. SCHULTZE. Thank you, sir.

The CHAIRMAN. Mr. Cohn, I understand that you, too, have received a very merited promotion, as you are now Assistant Director of the Bureau of the Budget.

We welcome you people here.

Mr. COHN. Thank you, Mr. Mills.

The CHAIRMAN. Mr. Secretary, you and the others with you from the Treasury, we are always pleased to have you.

Secretary FOWLER. Thank you, Mr. Chairman.

The CHAIRMAN. We thank you for coming back to the committee to be interrogated with respect to the budget itself. Are there any further questions of the Secretary? There are none. Mr. Fulton.

Mr. FULTON. Mr. Chairman, I would like at this point to submit a statement for the record expressing my views on the President's proposals with respect to the speedup in the collection of corporate taxes and the restoration of certain telephone and teletypewriter and automobile excise taxes.

The CHAIRMAN. Without objection, Mr. Fulton, your statement will be entered in the record at this point.

STATEMENT SUBMITTED FOR THE RECORD BY HON. RICHARD FULTON,
MEMBER OF CONGRESS FROM THE STATE OF TENNESSEE

I sat during the hearings on the President's proposals for a speed-up in the collection of taxes and the restoration of the January 1, 1966, decreases in the telephone and teletypewriter and automobile excise taxes. Also, I have reviewed the testimony of the public witnesses, the statements submitted for the record, and the Government witnesses. As a result, I decided that I should file a statement for the record expressing my views on this subject.

I highly commend the President, the Secretary of the Treasury, Mr. Fowler, and the Director of the Budget, Mr. Schultze, in their candid and straightforward recommendations setting forth their fiscally responsible positions in meeting the increased costs of our efforts in Vietnam. I, for one—and I think I can say, generally speaking, this is true of every member of our committee—believe that increased rev-

enues are desirable and necessary in order to meet the added expenses of our Vietnam efforts.

It seems to me that there can be little justifiable complaint about the proposal on the graduated withholding of income taxes and the acceleration of corporate taxpayments. On the other hand, testimony from the interested taxpayers during the public hearings and the written statements which were submitted for the record indicate to me that we should proceed very carefully and very studiously on the President's recommendations that we restore the reductions which occurred on January 1 of this year in the telephone and teletypewriter taxes and in the automobile taxes. Although I was not on this committee at the time many of the excise taxes which were involved in last year's excise tax reduction bill were imposed, I am under the strong impression that there was little brief for our excise tax system as it existed. On the face of it, it was selective and, by its very nature, any selective excise tax system is discriminatory between those who are taxed and those who are not taxed.

In recent years, this committee has heard much complaint about our excise tax system as it existed up until last year as being a wartime emergency and depression-engendered tax system which was temporary in nature and which, for this reason, was intended to be repealed when the crisis was over. Unfortunately, as things developed, we continued this excise tax system up until last year due to our revenue needs, regardless of the merits or demerits of the particular excise taxes involved. I, for one, was very happy to vote for the reduction and repeal of the various excise taxes involved in the Excise Tax Reduction Act of 1965.

As you well know, we did leave on the books those excise taxes which are involved in the highway trust fund, the regulatory excise taxes such as those on narcotics, and the so-called sumptuary excise taxes on items such as liquor and tobacco. My recollection—and I think the record will bear me out—is that there was general agreement that these particular excise taxes should be left on the books.

As to those excise taxes which we, in general, repealed or reduced considerably, I think the record of the vote in the House indicates the feeling of the Congress as a whole as to their undesirability. You will recall that the vote in the House on the Excise Tax Reduction Act of 1965 was 401 to 6. I think this record vote speaks as well as any words could as to the discriminatory, regressive, and selective nature of those excise taxes which were involved in that act.

Certainly, everyone agrees that we should face up to our responsibilities at the present time. This includes not only those because of our efforts in Vietnam but also the forward-looking programs which we have embarked on on our domestic front. Despite some scattered opposition, there is general support throughout the country for our military efforts in Vietnam. This has been indicated not only to us as individual Members of Congress who talked with our constituents back home this fall, it has also been indicated in the various polls which have been published in the news media. I also personally believe that the country is quite willing to meet our responsibilities worldwide and on our domestic front in a fiscally responsible manner. At the same time, I am firmly convinced that the country generally believes—as I firmly believe—that we should meet these responsibilities in a fair and equitable manner.

When it comes to the methods of raising additional revenues to meet these obligations, a considerable amount of comment has been developed in the testimony received in our public hearings and in the written statements which I have now had an opportunity to review concerning the excise tax proposals. It seems to me obvious that these are selective; they are discriminatory, and they would reinstate in our tax system all of the undesirable features which the President and the Secretary of the Treasury described to us in urging their reduction and repeal and which we ourselves described in the same terms in our committee report in proposing them.

In particular, the excise taxes on telephone and teletypewriter communications and automobiles are ones which, without contradiction, everyone agrees are taxes on everyday necessities of life. It has been stated that 64 percent of our workers in this country commute to and from work in private automobiles. Mr. William C. Mott, executive vice president of the United States Independent Telephone Association, in his testimony before our committee pointed out that over one-half of the households in the country with telephones have incomes of less than \$6,000 per year. He also pointed out that one-fifth of the telephone users have annual incomes of less than \$3,000.

Everyone admits that whatever else can be said for a sales tax or an excise tax they are regressive in that they dig deepest into the pockets of those who are least able to pay. These taxes in effect are gross income taxes. There are no exemptions. There are no progressive rates which take into account ability to pay.

In this connection, I would like to point out to the committee that it is a dramatic and most unfortunate coincidence that these same considerations which compel the administration to recommend a restoration of the reductions of the communications and automobile taxes also compel them to recommend a reduction in the expansion of the programs of the Office of Economic Opportunity. This program, as we all know, was tailored specifically to help our Nation's poor. So we have a resulting situation in which many of the people who depend on telephone communications and automobiles for transportation are not only being cut back on those programs which are intended to improve their economic status but are, under these proposals, being selected as a special group to bear an undue and disproportionate burden of additional taxes to finance our efforts in Vietnam. This, to me, is doubly unfortunate. In my opinion, it is extremely shortsighted. Since the efforts of the Office of Economic Opportunity are directed toward improving the economic lot of our low-income people, any results which are attained as a result of this effort automatically would contribute not only to the economic well being of our country but also add additional revenues to the Treasury.

As to the administration's tax proposals—and I want to say right here for the record that in my view President Johnson, with the able assistance and support of his very capable Secretary of the Treasury, the Honorable Joe Fowler, and his very capable Director of the Budget, the Honorable Charles Schultze, have done an outstanding, commendable, and conscientious job in their efforts to meet our Nation's needs not only at home but also abroad—I must disagree with the basic premise on which they are based as far as the excise taxes are concerned.

These taxes, of all the various excise taxes which we had on our books, involve the necessities of our present-day life. The wartime excise taxes in many cases did involve so-called luxury items, but I think I can say without fear of contradiction that no one would state that automobiles are not only essential in business operations; they are also quite essential in the everyday life of our American citizens. We can hardly imagine a home today without a telephone and without an automobile.

I want to make it clear, as I stated earlier, that I have no disagreement with the proposal for raising additional revenues to meet our domestic and worldwide responsibilities. I think our hearings developed that there is little disagreement on this in our committee. I do strongly disagree with the President's recommendations as to his proposals to raise additional revenues from the communications and automobile taxes.

It occurs to me that there are many sources of revenue which we should consider which are fairer and more equitable. We all know that several people in responsible positions, for example, have recommended that we consider raising the amount of money in the communications and automobile tax from liquor and tobacco. There are others, as it developed in our hearing, who feel that we should give some consideration to a modification and cutback in the investment credit. One of the reasons for the President's proposals for increasing revenues is his concern about inflation. The investment credit was enacted for the primary purpose of increasing economic activity. There are some who now suggest that serious consideration should be given to whether or not we should look at the other side of this coin and determine whether, under the circumstances, some modification or cutback isn't desirable in the investment credit.

We also had testimony before our committee to the effect that a fairer way of raising revenue would be an across-the-board increase in corporate and individual income taxes. This is another possibility which would appear to deserve consideration.

I have no preconceived ideas as to any particular alternatives to the excise tax proposals. I do believe that the excise proposals are unsound, discriminatory, and less fair than several alternatives that have already been suggested.

Again, I want to commend very highly the President on his fiscally responsible approach in recommending increasing revenues.

The CHAIRMAN. This concludes the committee's public hearing on the President's 1966 tax proposals. The committee will now stand adjourned.



TAX ADJUSTMENT ACT OF 1966

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HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12752

AN ACT TO PROVIDE FOR GRADUATED WITHHOLDING OF INCOME TAX FROM WAGES, TO REQUIRE DECLARATIONS OF ESTIMATED TAX WITH RESPECT TO SELF-EMPLOYMENT INCOME, TO ACCELERATE CURRENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS, TO POSTPONE CERTAIN EXCISE TAX RATE REDUCTIONS, AND FOR OTHER PURPOSES.

FEBRUARY 25, 28, AND MARCH 1, 1966

Printed for the use of the Committee on Finance



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WASHINGTON : 1966

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TAX ADJUSTMENT ACT OF 1966

FRIDAY, FEBRUARY 25, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to the call of the chairman, at 9 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Smathers, Anderson, Douglas, Gore, Talmadge, McCarthy, Metcalf, Hartke, Williams, Bennett, and Dirksen.

Senator LONG. The hearing will come to order.

This hearing has been called for the purpose of receiving testimony on the recommendations of the President for raising revenues to help defray the rising costs of the Vietnam conflict.

Public notice of the hearing was made on February 17, and persons desiring to testify were urged to submit their requests by the close of business Wednesday, February 23. Only one request was received.

The President's program, together with certain refinements made by the Committee on Ways and Means of the House of Representatives, and by the House itself, is reflected in H.R. 12752, which passed the House Wednesday.

Without objection, a copy of the bill before us, together with a summary of its provisions prepared by the staff of the joint committee, and the committee announcement, will be made a part of the record at this point.

(The documents referred to follow:)

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1966

Read twice and referred to the Committee on Finance

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

2

1 (b) AMENDMENT OF 1954 CODE.—Except as otherwise
2 expressly provided, whenever in this Act an amendment or
3 repeal is expressed in terms of an amendment to, or repeal
4 of, a section or other provision, the reference shall be con-
5 sidered to be made to a section or other provision of the
6 Internal Revenue Code of 1954.

7 **TITLE I—ADJUSTMENT OF CERTAIN COLLECTION**
8 **PROCEDURES**

9 **SECTION 101. INCOME TAX COLLECTED AT SOURCE.**

10 (a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
11 section (a) of section 3402 (relating to requirement of
12 withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

3

- 1 plied by the amount of one such exemption as shown in the
 2 table in subsection (b) (1) :

“Table 1—If the payroll period with respect to an employee is
 WEEKLY

- 3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

- 4 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

“Table 2—If the payroll period with respect to an employee is
 BIWEEKLY

- 5 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
\$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

4

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

5

"Table 4—If the payroll period with respect to an employee is MONTHLY1 **"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 **"(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

"Table 5—If the payroll period with respect to an employee is QUARTERLY3 **"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

6

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425-----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500-----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

“Table 6—If the payroll period with respect to an employee is SEMIANNUAL

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200-----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400---	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500---	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200-----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850-----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000---	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

7

**"Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 "(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000---	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

2 "(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800--	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

**"Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 "(a) Single Person—Including Head of Household:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10----	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10---	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

8

1 “(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is: The amount of income tax to be withheld shall be:

Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10----	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50----	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30----	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-
3 graph (1) of section 3402 (b) (relating to percentage
4 method withholding table) is amended by striking out the
5 table set forth therein and inserting the following table in
6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)
8 of section 3402 (c) (relating to wage bracket withholding)

- 1 is amended by striking out the tables set forth therein and
2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0.....	\$4.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4.....	\$5.....	.10	0	0	0	0	0	0	0	0	0	0	0
\$5.....	\$6.....	.20	0	0	0	0	0	0	0	0	0	0	0
\$6.....	\$7.....	.40	0	0	0	0	0	0	0	0	0	0	0
\$7.....	\$8.....	.50	0	0	0	0	0	0	0	0	0	0	0
\$8.....	\$9.....	.70	0	0	0	0	0	0	0	0	0	0	0
\$9.....	\$10.....	.80	0	0	0	0	0	0	0	0	0	0	0
\$10.....	\$11.....	.90	0	0	0	0	0	0	0	0	0	0	0
\$11.....	\$12.....	1.10	0	0	0	0	0	0	0	0	0	0	0
\$12.....	\$13.....	1.20	0	0	0	0	0	0	0	0	0	0	0
\$13.....	\$14.....	1.40	0	0	0	0	0	0	0	0	0	0	0
\$14.....	\$15.....	1.50	0	0	0	0	0	0	0	0	0	0	0
\$15.....	\$16.....	1.70	0	0	0	0	0	0	0	0	0	0	0
\$16.....	\$17.....	1.80	0	0	0	0	0	0	0	0	0	0	0
\$17.....	\$18.....	2.00	0	0	0	0	0	0	0	0	0	0	0
\$18.....	\$19.....	2.10	.20	0	0	0	0	0	0	0	0	0	0
\$19.....	\$20.....	2.30	.30	0	0	0	0	0	0	0	0	0	0
\$20.....	\$21.....	2.40	.40	0	0	0	0	0	0	0	0	0	0
\$21.....	\$22.....	2.60	.60	0	0	0	0	0	0	0	0	0	0
\$22.....	\$23.....	2.70	.70	0	0	0	0	0	0	0	0	0	0
\$23.....	\$24.....	2.90	.90	0	0	0	0	0	0	0	0	0	0
\$24.....	\$25.....	3.00	1.00	0	0	0	0	0	0	0	0	0	0
\$25.....	\$26.....	3.20	1.10	0	0	0	0	0	0	0	0	0	0
\$26.....	\$27.....	3.40	1.30	0	0	0	0	0	0	0	0	0	0
\$27.....	\$28.....	3.50	1.40	0	0	0	0	0	0	0	0	0	0
\$28.....	\$29.....	3.70	1.50	0	0	0	0	0	0	0	0	0	0
\$29.....	\$30.....	3.90	1.70	0	0	0	0	0	0	0	0	0	0
\$30.....	\$31.....	4.10	1.90	0	0	0	0	0	0	0	0	0	0
\$31.....	\$32.....	4.20	2.00	.10	0	0	0	0	0	0	0	0	0
\$32.....	\$33.....	4.40	2.20	.20	0	0	0	0	0	0	0	0	0
\$33.....	\$34.....	4.60	2.30	.40	0	0	0	0	0	0	0	0	0
\$34.....	\$35.....	4.70	2.50	.50	0	0	0	0	0	0	0	0	0
\$35.....	\$36.....	4.90	2.60	.70	0	0	0	0	0	0	0	0	0
\$36.....	\$37.....	5.10	2.80	.80	0	0	0	0	0	0	0	0	0
\$37.....	\$38.....	5.20	3.00	.90	0	0	0	0	0	0	0	0	0
\$38.....	\$39.....	5.40	3.10	1.10	0	0	0	0	0	0	0	0	0
\$39.....	\$40.....	5.60	3.30	1.20	0	0	0	0	0	0	0	0	0
\$40.....	\$41.....	5.80	3.50	1.40	0	0	0	0	0	0	0	0	0
\$41.....	\$42.....	5.90	3.60	1.50	0	0	0	0	0	0	0	0	0
\$42.....	\$43.....	6.10	3.80	1.70	0	0	0	0	0	0	0	0	0
\$43.....	\$44.....	6.30	4.00	1.80	0	0	0	0	0	0	0	0	0
\$44.....	\$45.....	6.40	4.10	2.00	0	0	0	0	0	0	0	0	0
\$45.....	\$46.....	6.60	4.30	2.10	.20	0	0	0	0	0	0	0	0
\$46.....	\$47.....	6.80	4.50	2.30	.30	0	0	0	0	0	0	0	0
\$47.....	\$48.....	6.90	4.70	2.40	.50	0	0	0	0	0	0	0	0
\$48.....	\$49.....	7.10	4.80	2.60	.60	0	0	0	0	0	0	0	0
\$49.....	\$50.....	7.30	5.00	2.70	.70	0	0	0	0	0	0	0	0
\$50.....	\$51.....	7.50	5.20	2.90	.90	0	0	0	0	0	0	0	0
\$51.....	\$52.....	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0	0
\$52.....	\$53.....	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0	0
\$53.....	\$54.....	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0	0
\$54.....	\$55.....	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0	0
\$55.....	\$56.....	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0	0
\$56.....	\$57.....	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0	0
\$57.....	\$58.....	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0	0
\$58.....	\$59.....	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0	0
\$59.....	\$60.....	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0	0
\$60.....	\$61.....	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$61.....	\$62.....	9.40	7.10	5.00	2.70	.70	0	0	0	0	0	0	0
\$62.....	\$63.....	9.60	7.30	5.30	3.10	1.00	0	0	0	0	0	0	0
\$63.....	\$64.....	9.80	7.50	5.70	3.40	1.30	0	0	0	0	0	0	0
\$64.....	\$65.....	10.00	7.80	6.00	3.70	1.60	0	0	0	0	0	0	0
\$65.....	\$66.....	10.20	8.00	6.40	4.10	1.90	0	0	0	0	0	0	0
\$66.....	\$67.....	10.40	8.30	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$67.....	\$68.....	10.60	8.50	7.00	4.80	2.50	.50	0	0	0	0	0	0
\$68.....	\$69.....	10.80	8.80	7.40	5.10	2.80	.80	0	0	0	0	0	0
\$69.....	\$70.....	11.00	9.00	7.70	5.40	3.10	1.10	0	0	0	0	0	0
\$70.....	\$71.....	11.20	9.30	8.00	5.80	3.50	1.40	0	0	0	0	0	0
\$71.....	\$72.....	11.40	9.60	8.40	6.10	3.80	1.70	0	0	0	0	0	0
\$72.....	\$73.....	11.60	9.90	8.70	6.50	4.20	2.00	.10	0	0	0	0	0
\$73.....	\$74.....	11.80	10.10	9.00	6.80	4.50	2.30	.30	0	0	0	0	0
\$74.....	\$75.....	12.00	10.30	9.30	7.10	4.80	2.60	.60	0	0	0	0	0
\$75.....	\$76.....	12.20	10.50	9.60	7.50	5.20	2.90	.90	0	0	0	0	0
\$76.....	\$77.....	12.40	10.70	9.90	7.80	5.50	3.20	1.20	0	0	0	0	0
\$77.....	\$78.....	12.60	10.90	10.20	8.20	5.90	3.60	1.50	0	0	0	0	0
\$78.....	\$79.....	12.80	11.10	10.40	8.50	6.20	3.90	1.80	0	0	0	0	0
\$79.....	\$80.....	13.00	11.30	10.60	8.80	6.50	7.00	2.10	0	0	0	0	0
\$80.....	\$81.....	13.20	11.50	10.80	9.10	6.80	7.30	2.40	0	0	0	0	0
\$81.....	\$82.....	13.40	11.70	11.00	9.40	7.10	7.60	2.70	0	0	0	0	0
\$82.....	\$83.....	13.60	11.90	11.20	9.70	7.40	7.90	3.00	0	0	0	0	0
\$83.....	\$84.....	13.80	12.10	11.40	10.00	7.70	8.20	3.30	0	0	0	0	0
\$84.....	\$85.....	14.00	12.30	11.60	10.30	8.00	8.50	3.60	0	0	0	0	0
\$85.....	\$86.....	14.20	12.50	11.80	10.60	8.30	8.80	3.90	0	0	0	0	0
\$86.....	\$87.....	14.40	12.70	12.00	10.90	8.60	9.10	4.20	0	0	0	0	0
\$87.....	\$88.....	14.60	12.90	12.20	11.20	8.90	9.40	4.50	0	0	0	0	0
\$88.....	\$89.....	14.80	13.10	12.40	11.50	9.20	9.70	4.80	0	0	0	0	0
\$89.....	\$90.....	15.00	13.30	12.60	11.80	9.50	10.00	5.10	0	0	0	0	0
\$90.....	\$91.....	15.20	13.50	12.80	12.10	9.80	10.30	5.40	0	0	0	0	0
\$91.....	\$92.....	15.40	13.70	13.00	12.40	10.10	10.60	5.70	0	0	0	0	0
\$92.....	\$93.....	15.60	13.90	13.20	12.70	10.40	10.90	6.00	0	0	0	0	0
\$93.....	\$94.....	15.80	14.10	13.40	13.00	10.70	11.20	6.30	0	0	0	0	0
\$94.....	\$95.....	16.00	14.30	13.60	13.30	11.00	11.50	6.60	0	0	0	0	0
\$95.....	\$96.....	16.20	14.50	13.80	13.60	11.30	11.80	6.90	0	0	0	0	0
\$96.....	\$97.....	16.40	14.70	14.00	13.90	11.60	12.10	7.20	0	0	0	0	0
\$97.....	\$98.....	16.60	14.90	14.20	14.20	11.90	12.40	7.50	0	0	0	0	0
\$98.....	\$99.....	16.80	15.10	14.40	14.50	12.20	12.70	7.80	0	0	0	0	0
\$99.....	\$100.....	17.00	15.30	14.60	14.80	12.50	13.00	8.10	0	0	0	0	0

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“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98.....	\$100....	\$16. 10	\$13. 40	\$11. 10	\$8. 80	\$6. 50	\$4. 30	\$2. 10	\$1. 10	\$0	\$0	\$0
\$100.....	\$105....	16. 80	14. 10	11. 70	9. 40	7. 10	4. 80	2. 60	. 60	0	0	0
\$105.....	\$110....	17. 80	15. 10	12. 60	10. 30	8. 00	5. 70	3. 40	1. 30	0	0	0
\$110.....	\$115....	18. 80	16. 10	13. 40	11. 10	8. 80	6. 50	4. 30	2. 10	. 10	0	0
\$115.....	\$120....	19. 80	17. 10	14. 40	12. 00	9. 70	7. 40	5. 10	2. 80	. 80	0	0
\$120.....	\$125....	20. 80	18. 10	15. 40	12. 80	10. 50	8. 20	6. 00	3. 70	1. 50	0	0
\$125.....	\$130....	21. 80	19. 10	16. 40	13. 80	11. 40	9. 10	6. 80	4. 50	2. 30	. 40	0
\$130.....	\$135....	22. 80	20. 10	17. 40	14. 80	12. 20	9. 90	7. 70	5. 40	3. 10	1. 10	0
\$135.....	\$140....	23. 80	21. 10	18. 40	15. 80	13. 10	10. 80	8. 50	6. 20	3. 90	1. 80	0
\$140.....	\$145....	24. 80	22. 10	19. 40	16. 80	14. 10	11. 60	9. 40	7. 10	4. 80	2. 50	. 60
\$145.....	\$150....	25. 80	23. 10	20. 40	17. 80	15. 10	12. 50	10. 20	7. 90	5. 60	3. 30	1. 30
\$150.....	\$160....	27. 30	24. 60	21. 90	19. 30	16. 60	13. 90	11. 50	9. 20	6. 90	4. 60	2. 40
\$160.....	\$170....	29. 30	26. 60	23. 90	21. 30	18. 60	15. 90	13. 20	10. 90	8. 60	6. 30	4. 00
\$170.....	\$180....	31. 60	28. 60	25. 90	23. 30	20. 60	17. 90	15. 20	12. 60	10. 30	8. 00	5. 70
\$180.....	\$190....	34. 10	30. 80	27. 90	25. 30	22. 60	19. 90	17. 20	14. 50	12. 00	9. 70	7. 40
\$190.....	\$200....	36. 60	33. 30	29. 90	27. 30	24. 60	21. 90	19. 20	16. 50	13. 80	11. 40	9. 10
\$200.....	\$210....	39. 10	35. 80	32. 40	29. 30	26. 60	23. 90	21. 20	18. 50	15. 80	13. 10	10. 80
\$210.....	\$220....	41. 80	38. 30	34. 90	31. 50	28. 60	25. 90	23. 20	20. 50	17. 80	15. 10	12. 50
\$220.....	\$230....	44. 80	40. 80	37. 40	34. 00	30. 70	27. 90	25. 20	22. 50	19. 80	17. 10	14. 40
\$230.....	\$240....	47. 80	43. 80	39. 90	36. 50	33. 20	29. 90	27. 20	24. 50	21. 80	19. 10	16. 40
\$240.....	\$250....	50. 80	46. 80	42. 70	39. 00	35. 70	32. 30	29. 20	26. 50	23. 80	21. 10	18. 40
\$250.....	\$260....	53. 80	49. 80	45. 70	41. 70	38. 20	34. 80	31. 40	28. 50	25. 80	23. 10	20. 40
\$260.....	\$270....	56. 80	52. 80	48. 70	44. 70	40. 70	37. 30	33. 90	30. 60	27. 80	25. 10	22. 40
\$270.....	\$280....	59. 80	55. 80	51. 70	47. 70	43. 60	39. 80	36. 40	33. 10	29. 80	27. 10	24. 40
\$280.....	\$290....	62. 80	58. 80	54. 70	50. 70	46. 60	42. 60	38. 90	35. 60	32. 20	29. 10	26. 40
\$290.....	\$300....	65. 80	61. 80	57. 70	53. 70	49. 60	45. 60	41. 60	38. 10	34. 70	31. 30	28. 40
\$300.....	\$310....	68. 80	64. 80	60. 70	56. 70	52. 60	48. 60	44. 60	40. 60	37. 20	33. 80	30. 50
\$310.....	\$320....	71. 80	67. 80	63. 70	59. 70	55. 60	51. 60	47. 60	43. 50	39. 70	36. 30	33. 00
\$320.....	\$330....	74. 80	70. 80	66. 70	62. 70	58. 60	54. 60	50. 60	46. 50	42. 50	38. 80	35. 50
\$330.....	\$340....	77. 80	73. 80	69. 70	65. 70	61. 60	57. 60	53. 60	49. 50	45. 50	41. 40	38. 00
\$340.....	\$350....	80. 80	76. 80	72. 70	68. 70	64. 60	60. 60	56. 60	52. 50	48. 50	44. 40	40. 50
\$350.....	\$360....	83. 80	79. 80	75. 70	71. 70	67. 60	63. 60	59. 60	55. 50	51. 50	47. 40	43. 40
30 percent of the excess over \$360 plus—												
\$360 and over....		85. 30	81. 30	77. 20	73. 20	69. 10	65. 10	61. 10	57. 00	53. 00	49. 90	44. 90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$4	\$5	.10	0	0	0	0	0	0	0	0	0	0	
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0	
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0	
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0	
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0	
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0	
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0	
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0	
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0	
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0	
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0	
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0	
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0	
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0	
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0	
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0	
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0	
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0	
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0	
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0	
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0	
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0	
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0	
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0	
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0	
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0	
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0	
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0	
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0	
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0	
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0	
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0	
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0	
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0	
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0	
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0	
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0	
\$41	\$42	5.50	3.40	1.60	0	0	0	0	0	0	0	0	
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0	
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0	
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0	
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0	
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0	
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0	
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0	
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0	
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0	
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0	
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0	
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0	
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0	
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0	
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0	
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0	
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0	
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0	
\$60	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0	
\$62	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0	
\$64	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0	
\$66	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0	
\$68	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0	
\$70	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0	
\$72	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	
\$74	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0	
\$76	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0	
\$78	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0	
\$80	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0	
\$82	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0	
\$84	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0	
\$86	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0	
\$88	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0	
\$90	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0	
\$92	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0	
\$94	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0	
\$96	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0	
\$98	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0	
\$100	\$105	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	
\$105	\$110	16.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0	
\$110	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	
\$115	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0	
\$120	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0	
\$125	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0	
\$130	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0	
\$135	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0	

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"If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140	\$145	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$.60
\$145	\$150	22.80	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150	\$155	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$155	\$160	25.00	22.70	20.40	18.10	15.80	13.50	11.50	9.40	7.40	5.40	3.40
\$160	\$165	26.10	23.80	21.50	19.20	16.90	14.60	12.60	10.50	8.50	6.50	4.50
\$165	\$170	27.20	24.90	22.60	20.30	18.00	15.70	13.70	11.60	9.60	7.60	5.60
\$170	\$175	28.30	26.00	23.70	21.40	19.10	16.80	14.80	12.70	10.70	8.70	6.70
\$175	\$180	29.40	27.10	24.80	22.50	20.20	17.90	15.90	13.80	11.80	9.80	7.80
\$180	\$185	30.50	28.20	25.90	23.60	21.30	19.00	17.00	14.90	12.90	10.90	8.90
\$185	\$190	31.60	29.30	27.00	24.70	22.40	20.10	18.10	16.00	14.00	12.00	10.00
\$190	\$195	32.70	30.40	28.10	25.80	23.50	21.20	19.20	17.10	15.10	13.10	11.10
\$195	\$200	33.80	31.50	29.20	26.90	24.60	22.30	20.30	18.20	16.20	14.20	12.20
\$200	\$205	34.90	32.60	30.30	28.00	25.70	23.40	21.40	19.30	17.30	15.30	13.30
\$205	\$210	36.00	33.70	31.40	29.10	26.80	24.50	22.50	20.40	18.40	16.40	14.40
\$210	\$215	37.10	34.80	32.50	30.20	27.90	25.60	23.60	21.50	19.50	17.50	15.50
\$215	\$220	38.20	35.90	33.60	31.30	29.00	26.70	24.70	22.60	20.60	18.60	16.60
\$220	\$225	39.30	37.00	34.70	32.40	30.10	27.80	25.80	23.70	21.70	19.70	17.70
\$225	\$230	40.40	38.10	35.80	33.50	31.20	28.90	26.90	24.80	22.80	20.80	18.80
\$230	\$235	41.50	39.20	36.90	34.60	32.30	30.00	28.00	25.90	23.90	21.90	19.90
\$235	\$240	42.60	40.30	38.00	35.70	33.40	31.10	29.10	27.00	25.00	23.00	21.00
\$240	\$245	43.70	41.40	39.10	36.80	34.50	32.20	30.20	28.10	26.10	24.10	22.10
\$245	\$250	44.80	42.50	40.20	37.90	35.60	33.30	31.30	29.20	27.20	25.20	23.20
\$250	\$255	45.90	43.60	41.30	39.00	36.70	34.40	32.10	30.10	28.10	26.10	24.10
\$255	\$260	47.00	44.70	42.40	40.10	37.80	35.50	33.20	31.20	29.20	27.20	25.20
\$260	\$265	48.10	45.80	43.50	41.20	38.90	36.60	34.30	32.00	30.00	28.00	26.00
\$265	\$270	49.20	46.90	44.60	42.30	39.00	37.70	35.40	33.10	31.10	29.10	27.10
\$270	\$275	50.30	48.00	45.70	43.40	40.00	38.80	36.50	34.20	32.00	30.00	28.00
\$275	\$280	51.40	49.10	46.80	44.50	41.10	39.90	37.60	35.30	33.00	31.00	29.00
\$280	\$285	52.50	50.20	47.90	45.60	42.20	40.90	38.70	36.40	34.10	32.00	30.00
\$285	\$290	53.60	51.30	49.00	46.70	43.30	42.00	39.80	37.50	35.20	33.00	31.00
\$290	\$295	54.70	52.40	50.10	47.80	44.40	43.10	40.90	38.60	36.30	34.00	32.00
\$295	\$300	55.80	53.50	51.20	48.90	45.50	44.20	42.00	39.70	37.40	35.10	33.00
\$300	\$305	56.90	54.60	52.30	49.00	46.60	45.30	43.10	40.80	38.50	36.20	34.00
\$305	\$310	58.00	55.70	53.40	50.10	47.70	46.40	44.20	41.90	39.60	37.30	35.00
\$310	\$315	59.10	56.80	54.50	51.20	48.80	47.50	45.30	43.00	40.70	38.40	36.00
\$315	\$320	60.20	57.90	55.60	52.30	49.90	48.60	46.40	44.10	41.80	39.50	37.00
\$320	\$325	61.30	59.00	56.70	53.40	51.00	49.70	47.50	45.20	42.90	40.60	38.00
\$325	\$330	62.40	60.10	57.80	54.50	52.10	50.80	48.60	46.30	44.00	41.70	39.00
\$330	\$335	63.50	61.20	58.90	55.60	53.20	51.90	49.70	47.40	45.10	42.80	40.00
\$335	\$340	64.60	62.30	60.00	56.70	54.30	53.00	50.80	48.50	46.20	43.90	41.00
\$340	\$345	65.70	63.40	61.10	57.80	55.40	54.10	51.90	49.60	47.30	45.00	42.00
\$345	\$350	66.80	64.50	62.20	58.90	56.50	55.20	53.00	50.70	48.40	46.10	43.00
\$350	\$355	67.90	65.60	63.30	60.00	57.60	56.30	54.10	51.80	49.50	47.20	44.00
\$355	\$360	69.00	66.70	64.40	61.10	58.70	57.40	55.20	52.90	50.60	48.30	45.00
\$360	\$365	70.10	67.80	65.50	62.20	59.80	58.50	56.30	54.00	51.70	49.40	46.00
\$365	\$370	71.20	68.90	66.60	63.30	60.90	59.60	57.40	55.10	52.80	50.50	47.00
\$370	\$375	72.30	70.00	67.70	64.40	62.00	60.70	58.50	56.20	53.90	51.60	48.00
\$375	\$380	73.40	71.10	68.80	65.50	63.10	61.80	59.60	57.30	55.00	52.70	49.00
\$380	\$385	74.50	72.20	69.90	66.60	64.20	62.90	60.70	58.40	56.10	53.80	50.00
\$385	\$390	75.60	73.30	71.00	67.70	65.30	64.00	61.80	59.50	57.20	54.90	51.00
\$390	\$395	76.70	74.40	72.10	68.80	66.40	65.10	62.90	60.60	58.30	56.00	52.00
\$395	\$400	77.80	75.50	73.20	69.90	67.50	66.20	64.00	61.70	59.40	57.10	53.00
\$400	\$405	78.90	76.60	74.30	71.00	68.60	67.30	65.10	62.80	60.50	58.20	54.00
\$405	\$410	80.00	77.70	75.40	72.10	69.70	68.40	66.20	63.90	61.60	59.30	55.00
\$410	\$415	81.10	78.80	76.50	73.20	70.80	69.50	67.30	65.00	62.70	60.40	56.00
\$415	\$420	82.20	79.90	77.60	74.30	71.90	70.60	68.40	66.10	63.80	61.50	57.00
\$420	\$425	83.30	81.00	78.70	75.40	73.00	71.70	69.50	67.20	64.90	62.60	58.00
\$425	\$430	84.40	82.10	79.80	76.50	74.10	72.80	70.60	68.30	66.00	63.70	59.00
\$430	\$435	85.50	83.20	80.90	77.60	75.20	73.90	71.70	69.40	67.10	64.80	60.00
\$435	\$440	86.60	84.30	82.00	78.70	76.30	75.00	72.80	70.50	68.20	65.90	61.00
\$440	\$445	87.70	85.40	83.10	79.80	77.40	76.10	73.90	71.60	69.30	67.00	62.00
\$445	\$450	88.80	86.50	84.20	80.90	78.50	77.20	75.00	72.70	70.40	68.10	63.00
\$450	\$455	89.90	87.60	85.30	82.00	79.60	78.30	76.10	73.80	71.50	69.20	64.00
\$455	\$460	91.00	88.70	86.40	83.10	80.70	79.40	77.20	74.90	72.60	70.30	65.00
\$460	\$465	92.10	89.80	87.50	84.20	81.80	80.50	78.30	76.00	73.70	71.40	66.00
\$465	\$470	93.20	90.90	88.60	85.30	82.90	81.60	79.40	77.10	74.80	72.50	67.00
\$470	\$475	94.30	92.00	89.70	86.40	84.00	82.70	80.50	78.20	75.90	73.60	68.00
\$475	\$480	95.40	93.10	90.80	87.50	85.10	83.80	81.60	79.30	77.00	74.70	69.00
\$480	\$485	96.50	94.20	91.90	88.60	86.20	84.90	82.70	80.40	78.10	75.80	70.00
\$485	\$490	97.60	95.30	93.00	89.70	87.30	86.00	83.80	81.50	79.20	76.90	71.00
\$490	\$495	98.70	96.40	94.10	90.80	88.40	87.10	84.90	82.60	80.30	78.00	72.00
\$495	\$500	99.80	97.50	95.20	91.90	89.50	88.20	86.00	83.70	81.40	79.10	73.00
\$500	\$505	100.90	98.60	96.30	93.00	90.60	89.30	87.10	84.80	82.50	80.20	74.00
\$505	\$510	102.00	99.70	97.40	94.10	91.70	90.40	88.20	85.90	83.60	81.30	75.00
\$510	\$515	103.10	100.80	98.50	95.20	92.80	91.50	89.30	87.00	84.70	82.40	76.00
\$515	\$520	104.20	101.90	99.60	96.30	93.90	92.60	90.40	88.10	85.80	83.50	77.00
\$520	\$525	105.30	103.00	100.70	97.40	95.00	93.70	91.50	89.20	86.90	84.60	78.00
\$525	\$530	106.40	104.10	101.80	98.50	96.10	94.80	92.60	90.30	88.00	85.70	79.00
\$530	\$535	107.50	105.20	102.90	99.60	97.20	95.90	93.70	91.40	89.10	86.80	80.00
\$535	\$540	108.60	106.30	104.00	100.70	98.30	97.00	94.80	92.50	90.20	87.90	81.00
\$540	\$545	109.70	107.40	105.10	101.80	99.40	98.10	95.90	93.60	91.30	89.00	82.00
\$545	\$550	110.80	108.50	106.20	102.90	100.50	99.20	97.00	94.70	92.40	90.10	83.00
\$550	\$555	111.90	109.60	107.30	104.00	101.60	100.30	98.10	95.80	93.50	91.20	84.00
\$555	\$560	113.00	110.70	108.40	105.10	102.70	101.40	99.20	96.90	94.60	92.30	85.00
\$560	\$565	114.10	111.80	109.50	106.20	103.80	102.50	100.30	98.00	95.70	93.40	86.00
\$565	\$570	115.20	112.90	110.60	107.30	104.90	103.60	101.40	99.10	96.80	94.50	87.00
20 percent of the excess over \$570 plus—												
\$570 and over		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0	0
\$80	\$82	11.60	6.90	2.70	0	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0	0
\$102	\$104	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0	0
\$104	\$106	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0	0
\$106	\$108	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0	0
\$108	\$110	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0	0
\$110	\$112	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0	0
\$112	\$114	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0	0
\$114	\$116	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0	0
\$116	\$118	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0	0
\$118	\$120	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0	0
\$120	\$122	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$122	\$124	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$124	\$126	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0	0
\$126	\$128	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0	0
\$128	\$130	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0	0
\$130	\$132	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$132	\$134	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$134	\$136	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0	0
\$136	\$138	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0	0
\$138	\$140	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0	0
\$140	\$142	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0	0
\$142	\$144	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0	0
\$144	\$146	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0	0
\$146	\$148	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0	0
\$148	\$150	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0	0	0
\$150	\$152	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0	0
\$152	\$154	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0	0
\$154	\$156	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0	0
\$156	\$158	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0	0
\$158	\$160	32.30	26.80	22.20	17.70	13.10	8.50	4.10	.30	0	0	0	0
\$160	\$162	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0	0
\$162	\$164	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0	0
\$164	\$166	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0	0
\$166	\$168	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0	0
\$168	\$170	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0	0
\$170	\$172	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0	0
\$172	\$174	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0	0
\$174	\$176	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0	0

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"If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$280----	\$290----	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290----	\$300----	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300----	\$320----	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320----	\$340----	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340----	\$360----	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360----	\$380----	68.20	61.60	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380----	\$400----	73.20	66.60	60.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400----	\$420----	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420----	\$440----	83.60	76.80	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440----	\$460----	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460----	\$480----	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480----	\$500----	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500----	\$520----	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520----	\$540----	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.80	50.20	44.80
\$540----	\$560----	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560----	\$580----	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580----	\$600----	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600----	\$620----	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620----	\$640----	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640----	\$660----	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660----	\$680----	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680----	\$700----	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700----	\$720----	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over----		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

15

"If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.	\$8.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.	\$10.	.20	0	0	0	0	0	0	0	0	0	0
\$10.	\$12.	.50	0	0	0	0	0	0	0	0	0	0
\$12.	\$14.	.70	0	0	0	0	0	0	0	0	0	0
\$14.	\$16.	1.00	0	0	0	0	0	0	0	0	0	0
\$16.	\$18.	1.30	0	0	0	0	0	0	0	0	0	0
\$18.	\$20.	1.60	0	0	0	0	0	0	0	0	0	0
\$20.	\$22.	1.90	0	0	0	0	0	0	0	0	0	0
\$22.	\$24.	2.10	0	0	0	0	0	0	0	0	0	0
\$24.	\$26.	2.40	0	0	0	0	0	0	0	0	0	0
\$26.	\$28.	2.70	0	0	0	0	0	0	0	0	0	0
\$28.	\$30.	3.00	0	0	0	0	0	0	0	0	0	0
\$30.	\$32.	3.30	0	0	0	0	0	0	0	0	0	0
\$32.	\$34.	3.50	0	0	0	0	0	0	0	0	0	0
\$34.	\$36.	3.80	.10	0	0	0	0	0	0	0	0	0
\$36.	\$38.	4.10	.30	0	0	0	0	0	0	0	0	0
\$38.	\$40.	4.40	.60	0	0	0	0	0	0	0	0	0
\$40.	\$42.	4.70	.90	0	0	0	0	0	0	0	0	0
\$42.	\$44.	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44.	\$46.	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46.	\$48.	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48.	\$50.	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50.	\$52.	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52.	\$54.	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54.	\$56.	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56.	\$58.	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58.	\$60.	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60.	\$62.	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62.	\$64.	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64.	\$66.	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66.	\$68.	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68.	\$70.	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70.	\$72.	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72.	\$74.	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74.	\$76.	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76.	\$78.	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78.	\$80.	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80.	\$82.	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82.	\$84.	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84.	\$86.	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86.	\$88.	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88.	\$90.	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90.	\$92.	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92.	\$94.	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94.	\$96.	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96.	\$98.	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98.	\$100.	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100.	\$102.	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102.	\$104.	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104.	\$106.	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106.	\$108.	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108.	\$110.	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110.	\$112.	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112.	\$114.	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114.	\$116.	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116.	\$118.	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118.	\$120.	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120.	\$124.	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$124.	\$128.	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$128.	\$132.	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$132.	\$136.	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$136.	\$140.	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$140.	\$144.	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$144.	\$148.	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$148.	\$152.	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$152.	\$156.	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$156.	\$160.	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$160.	\$164.	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$164.	\$168.	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$168.	\$172.	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$172.	\$176.	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$176.	\$180.	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$180.	\$184.	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$184.	\$188.	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$188.	\$192.	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$192.	\$196.	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$196.	\$200.	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$200.	\$210.	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$210.	\$220.	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$220.	\$230.	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$230.	\$240.	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$240.	\$250.	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$250.	\$260.	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

16

"If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260.....	\$270.....	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270.....	\$280.....	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280.....	\$290.....	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290.....	\$300.....	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300.....	\$320.....	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320.....	\$340.....	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340.....	\$360.....	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360.....	\$380.....	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380.....	\$400.....	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400.....	\$420.....	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420.....	\$440.....	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440.....	\$460.....	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460.....	\$480.....	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480.....	\$500.....	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500.....	\$520.....	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520.....	\$540.....	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540.....	\$560.....	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560.....	\$580.....	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580.....	\$600.....	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600.....	\$620.....	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620.....	\$640.....	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640.....	\$660.....	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660.....	\$680.....	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680.....	\$700.....	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700.....	\$720.....	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720.....	\$740.....	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740.....	\$760.....	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760.....	\$780.....	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780.....	\$800.....	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800.....	\$820.....	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820.....	\$840.....	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840.....	\$860.....	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860.....	\$880.....	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880.....	\$900.....	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.60	109.10
\$900.....	\$920.....	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920.....	\$940.....	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940.....	\$960.....	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960.....	\$980.....	199.60	191.50	183.40	175.30	167.50	159.70	153.00	146.30	139.50	132.80	126.10
\$980.....	\$1,000.....	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000.....	\$1,020.....	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020.....	\$1,040.....	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040.....	\$1,060.....	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060.....	\$1,080.....	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080.....	\$1,100.....	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100.....	\$1,120.....	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120.....	\$1,140.....	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over...		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

"If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.10	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.50	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.20	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.50	0	0	0	0	0	0	0	0	0
\$42	\$44	5.00	.80	0	0	0	0	0	0	0	0	0
\$44	\$46	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46	\$48	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48	\$50	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50	\$52	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52	\$54	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54	\$56	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56	\$58	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58	\$60	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60	\$62	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62	\$64	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64	\$66	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66	\$68	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68	\$70	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70	\$72	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72	\$74	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74	\$76	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76	\$78	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78	\$80	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80	\$82	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82	\$84	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84	\$86	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86	\$88	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88	\$90	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90	\$92	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92	\$94	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94	\$96	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96	\$98	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98	\$100	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100	\$102	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102	\$104	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104	\$106	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106	\$108	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108	\$110	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110	\$112	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112	\$114	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114	\$116	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116	\$118	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118	\$120	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120	\$122	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$122	\$124	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$124	\$126	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$126	\$128	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$128	\$130	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$130	\$132	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$132	\$134	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$134	\$136	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$136	\$138	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$138	\$140	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$140	\$142	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$142	\$144	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$144	\$146	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$146	\$148	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$148	\$150	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$150	\$152	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$152	\$154	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$154	\$156	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$156	\$158	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$158	\$160	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$160	\$162	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$162	\$164	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$164	\$166	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$166	\$168	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$168	\$170	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$170	\$172	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

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“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260.....	\$270....	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270.....	\$280....	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.80	0
\$280.....	\$290....	49.00	43.20	37.40	31.60	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290.....	\$300....	51.00	45.20	39.40	33.60	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300.....	\$320....	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320.....	\$340....	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340.....	\$360....	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.60
\$360.....	\$380....	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380.....	\$400....	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400.....	\$420....	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420.....	\$440....	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440.....	\$460....	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460.....	\$480....	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480.....	\$500....	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500.....	\$520....	103.80	95.00	88.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520.....	\$540....	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540.....	\$560....	116.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560.....	\$580....	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580.....	\$600....	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600.....	\$620....	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620.....	\$640....	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640.....	\$660....	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660.....	\$680....	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.70
\$680.....	\$700....	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.70
\$700.....	\$720....	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.70
\$720.....	\$740....	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.70
\$740.....	\$760....	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.80
30 percent of the excess over \$760 plus—												
\$760 and over...		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.10	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.50	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.70	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.00	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.30	.20	0	0	0	0	0	0	0	0	0
\$40	\$42	4.60	.50	0	0	0	0	0	0	0	0	0
\$42	\$44	4.90	.80	0	0	0	0	0	0	0	0	0
\$44	\$46	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46	\$48	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48	\$50	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50	\$52	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52	\$54	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54	\$56	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56	\$58	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58	\$60	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60	\$62	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62	\$64	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64	\$66	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66	\$68	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68	\$70	8.70	4.40	.20	0	0	0	0	0	0	0	0
\$70	\$72	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72	\$74	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74	\$76	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76	\$78	9.90	5.60	1.40	0	0	0	0	0	0	0	0
\$78	\$80	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80	\$82	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82	\$84	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84	\$86	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86	\$88	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88	\$90	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90	\$92	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92	\$94	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94	\$96	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96	\$98	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98	\$100	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100	\$102	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102	\$104	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104	\$106	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106	\$108	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108	\$110	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110	\$112	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112	\$114	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114	\$116	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116	\$118	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118	\$120	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120	\$124	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124	\$128	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128	\$132	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132	\$136	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136	\$140	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140	\$144	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144	\$148	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148	\$152	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152	\$156	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156	\$160	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160	\$164	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

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"If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$164	\$168	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200	\$210	29.50	24.70	20.30	15.90	11.60	7.20	3.00	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0
\$270	\$280	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290	\$300	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340	\$360	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360	\$380	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380	\$400	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400	\$420	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420	\$440	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440	\$460	73.70	67.80	62.00	56.30	51.50	46.40	41.40	36.50	31.50	26.50	22.10
\$460	\$480	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480	\$500	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500	\$520	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520	\$540	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540	\$560	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560	\$580	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580	\$600	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600	\$620	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620	\$640	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640	\$660	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	56.60
\$660	\$680	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680	\$700	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700	\$720	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720	\$740	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740	\$760	134.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760	\$780	138.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780	\$800	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800	\$820	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820	\$840	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30
\$840	\$860	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30
\$860	\$880	164.30	157.00	149.70	142.40	135.10	128.50	122.70	116.80	111.00	105.20	99.30
\$880	\$900	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900	\$920	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920	\$940	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940	\$960	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960	\$980	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980	\$1,000	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000	\$1,020	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020	\$1,040	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040	\$1,060	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060	\$1,080	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080	\$1,100	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100	\$1,120	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120	\$1,140	240.00	231.20	222.50	213.70	205.00	196.20	187.50	179.30	171.00	163.70	156.40
\$1,140	\$1,160	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160	\$1,180	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180	\$1,200	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200	\$1,220	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over..	267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50	

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.40	0	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	7.00	0	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.60	0	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.20	0	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.80	.40	0	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.40	1.00	0	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	10.00	1.50	0	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.60	2.10	0	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	11.20	2.70	0	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.80	3.20	0	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.40	3.80	0	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	13.10	4.30	0	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.80	4.90	0	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	14.50	5.50	0	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	15.10	6.00	0	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.80	6.60	0	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	16.60	7.20	0	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	17.20	7.80	0	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	17.90	8.40	.10	0	0	0	0	0	0	0	0	0
\$136.....	\$140.....	18.50	9.00	.70	0	0	0	0	0	0	0	0	0
\$140.....	\$144.....	19.20	9.60	1.20	0	0	0	0	0	0	0	0	0
\$144.....	\$148.....	19.90	10.20	1.80	0	0	0	0	0	0	0	0	0
\$148.....	\$152.....	20.60	10.80	2.30	0	0	0	0	0	0	0	0	0
\$152.....	\$156.....	21.30	11.40	2.90	0	0	0	0	0	0	0	0	0
\$156.....	\$160.....	21.90	12.00	3.50	0	0	0	0	0	0	0	0	0
\$160.....	\$164.....	22.60	12.70	4.00	0	0	0	0	0	0	0	0	0
\$164.....	\$168.....	23.30	13.40	4.60	0	0	0	0	0	0	0	0	0
\$168.....	\$172.....	24.00	14.10	5.10	0	0	0	0	0	0	0	0	0
\$172.....	\$176.....	24.70	14.70	5.70	0	0	0	0	0	0	0	0	0
\$176.....	\$180.....	25.30	15.40	6.30	0	0	0	0	0	0	0	0	0
\$180.....	\$184.....	26.00	16.10	6.90	0	0	0	0	0	0	0	0	0
\$184.....	\$188.....	26.70	16.80	7.50	0	0	0	0	0	0	0	0	0
\$188.....	\$192.....	27.40	17.50	8.10	0	0	0	0	0	0	0	0	0
\$192.....	\$196.....	28.10	18.10	8.70	.30	0	0	0	0	0	0	0	0
\$196.....	\$200.....	28.70	18.80	9.30	.90	0	0	0	0	0	0	0	0
\$200.....	\$204.....	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0	0
\$204.....	\$208.....	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0	0
\$208.....	\$212.....	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0	0
\$212.....	\$216.....	31.60	21.50	11.70	3.10	0	0	0	0	0	0	0	0
\$216.....	\$220.....	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0	0
\$220.....	\$224.....	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0	0
\$224.....	\$228.....	33.60	23.60	13.70	4.80	0	0	0	0	0	0	0	0
\$228.....	\$232.....	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0	0
\$232.....	\$236.....	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0	0
\$236.....	\$240.....	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0	0
\$240.....	\$248.....	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0	0
\$248.....	\$256.....	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0	0
\$256.....	\$264.....	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0	0

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"If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.20	1.90	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.60	3.00	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0
\$480	\$500	82.10	70.40	58.60	48.60	38.70	28.80	18.90	9.30	.90	0	0
\$500	\$520	86.10	74.40	62.00	52.00	42.10	32.20	22.30	12.40	3.70	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60
30 percent of the excess over \$1,520 plus—												
\$1,520 and over...		\$57.60	\$40.10	\$22.60	\$05.10	\$27.60	\$20.10	\$252.50	\$235.10	\$217.60	\$200.10	\$182.60

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16	\$20	.20	0	0	0	0	0	0	0	0	0	0
\$20	\$24	.70	0	0	0	0	0	0	0	0	0	0
\$24	\$28	1.30	0	0	0	0	0	0	0	0	0	0
\$28	\$32	1.90	0	0	0	0	0	0	0	0	0	0
\$32	\$36	2.40	0	0	0	0	0	0	0	0	0	0
\$36	\$40	3.00	0	0	0	0	0	0	0	0	0	0
\$40	\$44	3.50	0	0	0	0	0	0	0	0	0	0
\$44	\$48	4.10	0	0	0	0	0	0	0	0	0	0
\$48	\$52	4.70	0	0	0	0	0	0	0	0	0	0
\$52	\$56	5.20	0	0	0	0	0	0	0	0	0	0
\$56	\$60	5.80	0	0	0	0	0	0	0	0	0	0
\$60	\$64	6.30	0	0	0	0	0	0	0	0	0	0
\$64	\$68	6.90	0	0	0	0	0	0	0	0	0	0
\$68	\$72	7.50	0	0	0	0	0	0	0	0	0	0
\$72	\$76	8.00	0	0	0	0	0	0	0	0	0	0
\$76	\$80	8.60	0	0	0	0	0	0	0	0	0	0
\$80	\$84	9.10	1.00	0	0	0	0	0	0	0	0	0
\$84	\$88	9.70	1.50	0	0	0	0	0	0	0	0	0
\$88	\$92	10.30	2.10	0	0	0	0	0	0	0	0	0
\$92	\$96	10.80	2.70	0	0	0	0	0	0	0	0	0
\$96	\$100	11.40	3.20	0	0	0	0	0	0	0	0	0
\$100	\$104	12.00	3.80	0	0	0	0	0	0	0	0	0
\$104	\$108	12.60	4.30	0	0	0	0	0	0	0	0	0
\$108	\$112	13.20	4.90	0	0	0	0	0	0	0	0	0
\$112	\$116	13.80	5.50	0	0	0	0	0	0	0	0	0
\$116	\$120	14.40	6.00	0	0	0	0	0	0	0	0	0
\$120	\$124	15.00	6.60	0	0	0	0	0	0	0	0	0
\$124	\$128	15.60	7.10	0	0	0	0	0	0	0	0	0
\$128	\$132	16.20	7.70	0	0	0	0	0	0	0	0	0
\$132	\$136	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$136	\$140	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$140	\$144	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$144	\$148	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$148	\$152	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$152	\$156	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$156	\$160	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$160	\$164	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$164	\$168	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$168	\$172	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$172	\$176	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$176	\$180	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$180	\$184	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$184	\$188	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$188	\$192	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$192	\$196	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$196	\$200	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$200	\$204	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$204	\$208	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$208	\$212	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$212	\$216	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$216	\$220	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$220	\$224	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$224	\$228	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$228	\$232	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$232	\$236	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$236	\$240	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$240	\$244	33.00	24.20	15.50	7.10	0	0	0	0	0	0	0
\$244	\$248	33.60	24.80	16.10	7.70	0	0	0	0	0	0	0
\$248	\$252	34.20	25.40	16.70	8.30	.30	0	0	0	0	0	0
\$252	\$256	34.80	26.00	17.30	8.90	.90	0	0	0	0	0	0
\$256	\$260	35.40	26.60	17.90	9.50	1.40	0	0	0	0	0	0
\$260	\$264	36.00	27.20	18.50	10.10	2.00	0	0	0	0	0	0
\$264	\$268	36.60	27.80	19.10	10.70	2.60	0	0	0	0	0	0
\$268	\$272	37.20	28.40	19.70	11.30	3.20	0	0	0	0	0	0
\$272	\$276	37.80	29.00	20.30	11.90	3.80	0	0	0	0	0	0
\$276	\$280	38.40	29.60	20.90	12.50	4.40	0	0	0	0	0	0
\$280	\$284	39.00	30.20	21.50	13.10	5.00	0	0	0	0	0	0
\$284	\$288	39.60	30.80	22.10	13.70	5.60	0	0	0	0	0	0
\$288	\$292	40.20	31.40	22.70	14.30	6.20	0	0	0	0	0	0
\$292	\$296	40.80	32.00	23.30	14.90	6.80	0	0	0	0	0	0
\$296	\$300	41.40	32.60	23.90	15.50	7.40	0	0	0	0	0	0
\$300	\$304	42.00	33.20	24.50	16.10	8.00	0	0	0	0	0	0
\$304	\$308	42.60	33.80	25.10	16.70	8.60	0	0	0	0	0	0
\$308	\$312	43.20	34.40	25.70	17.30	9.20	1.10	0	0	0	0	0
\$312	\$316	43.80	35.00	26.30	17.90	9.80	1.70	0	0	0	0	0
\$316	\$320	44.40	35.60	26.90	18.50	10.40	2.30	0	0	0	0	0
\$320	\$324	45.00	36.20	27.50	19.10	11.00	2.90	0	0	0	0	0

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"If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.60	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	0	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.60	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.50	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.80	46.40	37.70	28.90	20.20
\$760	\$800	122.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.80	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	256.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	266.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	276.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	286.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	296.00	279.40	266.30	254.70	243.00	231.30	219.70	208.00	196.30	184.70
\$1,680	\$1,720	318.60	306.00	289.40	276.30	264.70	253.00	241.30	229.70	218.00	206.30	194.70
\$1,720	\$1,760	328.60	316.00	299.40	286.30	274.70	263.00	251.30	239.70	228.00	216.30	204.70
\$1,760	\$1,800	338.60	326.00	309.40	296.30	284.70	273.00	261.30	249.70	238.00	226.30	214.70
\$1,800	\$1,840	348.60	336.00	319.40	306.30	294.70	283.00	271.30	259.70	248.00	236.30	224.70
\$1,840	\$1,880	359.90	346.00	329.40	316.30	304.70	293.00	281.30	269.70	258.00	246.30	234.70
\$1,880	\$1,920	371.90	356.40	339.40	326.30	314.70	303.00	291.30	279.70	268.00	256.30	244.70
\$1,920	\$1,960	383.90	366.40	349.40	336.30	324.70	313.00	301.30	289.70	278.00	266.30	254.70
\$1,960	\$2,000	395.90	378.40	360.40	347.30	335.70	324.00	312.30	300.70	289.00	277.30	265.70
\$2,000	\$2,040	407.90	390.40	372.90	359.30	347.70	336.00	324.30	312.70	301.00	289.30	277.70
\$2,040	\$2,080	419.90	402.40	384.90	371.30	359.70	348.00	336.30	324.70	313.00	301.30	289.70
\$2,080	\$2,120	431.90	414.40	396.90	383.30	371.70	360.00	348.30	336.70	325.00	313.30	301.70
\$2,120	\$2,160	443.90	426.40	408.90	395.30	383.70	372.00	360.30	348.70	337.00	325.30	313.70
\$2,160	\$2,200	455.90	438.40	420.90	407.30	395.70	384.00	372.30	360.70	349.00	337.30	315.70
\$2,200	\$2,240	467.90	450.40	432.90	419.30	407.70	396.00	384.30	373.00	361.00	349.30	327.70
\$2,240	\$2,280	479.90	462.40	444.90	431.30	419.70	408.00	396.30	385.00	373.30	361.30	349.70
\$2,280	\$2,320	491.90	474.40	456.90	443.30	431.70	419.00	408.30	397.00	385.00	373.30	361.70
\$2,320	\$2,360	503.90	486.40	468.90	455.30	443.70	431.00	419.30	408.70	397.00	385.30	373.70
\$2,360	\$2,400	515.90	498.40	480.90	467.30	455.70	443.00	431.30	419.70	408.70	397.30	373.70
\$2,400	\$2,440	527.90	510.40	492.90	479.30	467.70	455.00	443.30	431.70	419.70	408.70	373.70
30 percent of the excess over \$2,440 plus—												
\$2,440 and over		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0.....	\$0.75.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....	\$0.....
\$0.75.....	\$1.00.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$1.00.....	\$1.25.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$1.25.....	\$1.50.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$1.50.....	\$1.75.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$1.75.....	\$2.00.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$2.00.....	\$2.25.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$2.25.....	\$2.50.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$2.50.....	\$2.75.....	.30.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$2.75.....	\$3.00.....	.35.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$3.00.....	\$3.25.....	.35.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$3.25.....	\$3.50.....	.40.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$3.50.....	\$3.75.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$3.75.....	\$4.00.....	.50.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$4.00.....	\$4.25.....	.55.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$4.25.....	\$4.50.....	.60.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$4.50.....	\$4.75.....	.60.....	.30.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$4.75.....	\$5.00.....	.65.....	.35.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$5.00.....	\$5.25.....	.70.....	.40.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$5.25.....	\$5.50.....	.75.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$5.50.....	\$5.75.....	.80.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$5.75.....	\$6.00.....	.85.....	.50.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$6.00.....	\$6.25.....	.90.....	.55.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$6.25.....	\$6.50.....	.90.....	.60.....	.30.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$6.50.....	\$6.75.....	.95.....	.65.....	.30.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$6.75.....	\$7.00.....	1.00.....	.70.....	.35.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$7.00.....	\$7.25.....	1.05.....	.70.....	.40.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$7.25.....	\$7.50.....	1.10.....	.75.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$7.50.....	\$7.75.....	1.15.....	.80.....	.50.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$7.75.....	\$8.00.....	1.20.....	.85.....	.55.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$8.00.....	\$8.25.....	1.20.....	.90.....	.55.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$8.25.....	\$8.50.....	1.25.....	.95.....	.60.....	.30.....	0.....	0.....	0.....	0.....	0.....	0.....	0.....
\$8.50.....	\$8.75.....	1.30.....	1.00.....	.65.....	.35.....	.05.....	0.....	0.....	0.....	0.....	0.....	0.....
\$8.75.....	\$9.00.....	1.35.....	1.00.....	.70.....	.35.....	.10.....	0.....	0.....	0.....	0.....	0.....	0.....
\$9.00.....	\$9.25.....	1.40.....	1.05.....	.75.....	.40.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....
\$9.25.....	\$9.50.....	1.45.....	1.10.....	.80.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....	0.....
\$9.50.....	\$9.75.....	1.45.....	1.15.....	.80.....	.50.....	.20.....	0.....	0.....	0.....	0.....	0.....	0.....
\$9.75.....	\$10.00.....	1.50.....	1.20.....	.85.....	.55.....	.25.....	0.....	0.....	0.....	0.....	0.....	0.....
\$10.00.....	\$10.50.....	1.60.....	1.25.....	.95.....	.60.....	.30.....	0.....	0.....	0.....	0.....	0.....	0.....
\$10.50.....	\$11.00.....	1.65.....	1.35.....	1.00.....	.70.....	.35.....	.10.....	0.....	0.....	0.....	0.....	0.....
\$11.00.....	\$11.50.....	1.75.....	1.40.....	1.10.....	.75.....	.45.....	.15.....	0.....	0.....	0.....	0.....	0.....
\$11.50.....	\$12.00.....	1.85.....	1.50.....	1.20.....	.85.....	.55.....	.25.....	0.....	0.....	0.....	0.....	0.....
\$12.00.....	\$12.50.....	1.95.....	1.60.....	1.25.....	.95.....	.60.....	.30.....	.05.....	0.....	0.....	0.....	0.....
\$12.50.....	\$13.00.....	2.05.....	1.70.....	1.35.....	1.05.....	.70.....	.40.....	.10.....	0.....	0.....	0.....	0.....
\$13.00.....	\$13.50.....	2.15.....	1.75.....	1.45.....	1.10.....	.80.....	.45.....	.15.....	0.....	0.....	0.....	0.....
\$13.50.....	\$14.00.....	2.25.....	1.85.....	1.50.....	1.20.....	.85.....	.55.....	.25.....	0.....	0.....	0.....	0.....
\$14.00.....	\$14.50.....	2.35.....	1.95.....	1.60.....	1.30.....	.95.....	.65.....	.30.....	.05.....	0.....	0.....	0.....
\$14.50.....	\$15.00.....	2.45.....	2.05.....	1.70.....	1.35.....	1.05.....	.70.....	.40.....	.10.....	0.....	0.....	0.....
\$15.00.....	\$15.50.....	2.55.....	2.15.....	1.80.....	1.45.....	1.15.....	.80.....	.45.....	.20.....	0.....	0.....	0.....
\$15.50.....	\$16.00.....	2.65.....	2.25.....	1.85.....	1.55.....	1.20.....	.90.....	.55.....	.25.....	0.....	0.....	0.....
\$16.00.....	\$16.50.....	2.75.....	2.35.....	1.95.....	1.60.....	1.30.....	.95.....	.65.....	.35.....	.05.....	0.....	0.....
\$16.50.....	\$17.00.....	2.85.....	2.45.....	2.05.....	1.70.....	1.40.....	1.05.....	.75.....	.40.....	.10.....	0.....	0.....
\$17.00.....	\$17.50.....	2.95.....	2.55.....	2.15.....	1.80.....	1.45.....	1.15.....	.85.....	.50.....	.20.....	0.....	0.....
\$17.50.....	\$18.00.....	3.05.....	2.65.....	2.25.....	1.90.....	1.55.....	1.25.....	.90.....	.55.....	.25.....	0.....	0.....
\$18.00.....	\$18.50.....	3.15.....	2.75.....	2.35.....	2.00.....	1.65.....	1.30.....	1.00.....	.65.....	.35.....	.05.....	0.....
\$18.50.....	\$19.00.....	3.25.....	2.85.....	2.45.....	2.10.....	1.70.....	1.40.....	1.05.....	.75.....	.40.....	.15.....	0.....
\$19.00.....	\$19.50.....	3.35.....	2.95.....	2.55.....	2.20.....	1.80.....	1.50.....	1.15.....	.85.....	.50.....	.20.....	0.....
\$19.50.....	\$20.00.....	3.45.....	3.05.....	2.65.....	2.30.....	1.90.....	1.55.....	1.25.....	.90.....	.60.....	.30.....	0.....
\$20.00.....	\$21.00.....	3.60.....	3.20.....	2.80.....	2.45.....	2.05.....	1.70.....	1.35.....	1.05.....	.70.....	.40.....	.10.....
\$21.00.....	\$22.00.....	3.80.....	3.40.....	3.00.....	2.65.....	2.25.....	1.85.....	1.55.....	1.20.....	.90.....	.55.....	.25.....
\$22.00.....	\$23.00.....	4.00.....	3.60.....	3.20.....	2.85.....	2.45.....	2.05.....	1.70.....	1.40.....	1.05.....	.75.....	.40.....
\$23.00.....	\$24.00.....	4.20.....	3.80.....	3.40.....	3.05.....	2.65.....	2.25.....	1.90.....	1.55.....	1.25.....	.90.....	.55.....
\$24.00.....	\$25.00.....	4.40.....	4.00.....	3.60.....	3.25.....	2.85.....	2.45.....	2.10.....	1.70.....	1.40.....	1.05.....	.75.....
\$25.00.....	\$26.00.....	4.65.....	4.20.....	3.80.....	3.45.....	3.05.....	2.65.....	2.30.....	1.90.....	1.55.....	1.25.....	.90.....
\$26.00.....	\$27.00.....	4.90.....	4.40.....	4.00.....	3.65.....	3.25.....	2.85.....	2.50.....	2.10.....	1.75.....	1.40.....	1.10.....

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$27.00...	\$28.00...	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60	\$1.25
\$28.00...	\$29.00...	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75	1.40
\$29.00...	\$30.00...	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00...	\$31.00...	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00...	\$32.00...	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00...	\$33.00...	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00...	\$34.00...	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00...	\$35.00...	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00...	\$36.00...	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00...	\$37.00...	7.70	7.15	6.55	6.00	5.50	5.00	4.60	4.10	3.70	3.30	2.95
\$37.00...	\$38.00...	8.00	7.45	6.85	6.30	5.75	5.25	4.80	4.30	3.90	3.50	3.15
\$38.00...	\$39.00...	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.50	4.10	3.70	3.35
\$39.00...	\$40.00...	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00...	\$41.00...	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00...	\$42.00...	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00...	\$43.00...	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00...	\$44.00...	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00...	\$45.00...	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00...	\$46.00...	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00...	\$47.00...	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00...	\$48.00...	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00...	\$49.00...	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00...	\$50.00...	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
30 percent of the excess over \$50 plus—												
\$50 and over.....		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.00

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0.....	\$0.75.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75.....	\$1.00.....	.05	0	0	0	0	0	0	0	0	0	0
\$1.00.....	\$1.25.....	.10	0	0	0	0	0	0	0	0	0	0
\$1.25.....	\$1.50.....	.10	0	0	0	0	0	0	0	0	0	0
\$1.50.....	\$1.75.....	.15	0	0	0	0	0	0	0	0	0	0
\$1.75.....	\$2.00.....	.20	0	0	0	0	0	0	0	0	0	0
\$2.00.....	\$2.25.....	.20	0	0	0	0	0	0	0	0	0	0
\$2.25.....	\$2.50.....	.25	0	0	0	0	0	0	0	0	0	0
\$2.50.....	\$2.75.....	.30	0	0	0	0	0	0	0	0	0	0
\$2.75.....	\$3.00.....	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00.....	\$3.25.....	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25.....	\$3.50.....	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50.....	\$3.75.....	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75.....	\$4.00.....	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00.....	\$4.25.....	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25.....	\$4.50.....	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50.....	\$4.75.....	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75.....	\$5.00.....	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00.....	\$5.25.....	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25.....	\$5.50.....	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50.....	\$5.75.....	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75.....	\$6.00.....	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00.....	\$6.25.....	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25.....	\$6.50.....	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50.....	\$6.75.....	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75.....	\$7.00.....	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00.....	\$7.25.....	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25.....	\$7.50.....	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50.....	\$7.75.....	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75.....	\$8.00.....	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00.....	\$8.25.....	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25.....	\$8.50.....	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50.....	\$8.75.....	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75.....	\$9.00.....	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00.....	\$9.25.....	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25.....	\$9.50.....	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50.....	\$9.75.....	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75.....	\$10.00.....	1.35	1.10	.80	.60	.25	0	0	0	0	0	0
\$10.00.....	\$10.50.....	1.45	1.15	.85	.65	.30	0	0	0	0	0	0
\$10.50.....	\$11.00.....	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00.....	\$11.50.....	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50.....	\$12.00.....	1.65	1.35	1.10	.80	.60	.25	0	0	0	0	0
\$12.00.....	\$12.50.....	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50.....	\$13.00.....	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00.....	\$13.50.....	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50.....	\$14.00.....	2.00	1.65	1.40	1.10	.80	.60	.25	0	0	0	0
\$14.00.....	\$14.50.....	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50.....	\$15.00.....	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00.....	\$15.50.....	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50.....	\$16.00.....	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00.....	\$16.50.....	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50.....	\$17.00.....	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00.....	\$17.50.....	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50.....	\$18.00.....	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00.....	\$18.50.....	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50.....	\$19.00.....	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00.....	\$19.50.....	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50.....	\$20.00.....	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00.....	\$21.00.....	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00.....	\$22.00.....	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00.....	\$23.00.....	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00.....	\$24.00.....	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00.....	\$25.00.....	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period—										
\$25.00	\$26.00	\$4.05	\$3.85	\$3.35	\$3.00	\$2.70	\$2.35	\$2.05	\$1.70	\$1.40	\$1.15	\$.85
\$26.00	\$27.00	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00	\$28.00	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00	\$29.00	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00	\$30.00	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00	\$31.00	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00	\$32.00	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00	\$33.00	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00	\$34.00	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00	\$35.00	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00	\$36.00	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00	\$37.00	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00	\$38.00	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00	\$39.00	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00	\$40.00	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00	\$41.00	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00	\$42.00	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00	\$43.00	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00	\$44.00	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00	\$45.00	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00	\$46.00	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00	\$47.00	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00	\$48.00	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00	\$49.00	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00	\$50.00	8.85	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00	\$51.00	9.05	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00	\$52.00	9.25	8.85	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00	\$53.00	9.45	9.05	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00	\$54.00	9.65	9.25	8.85	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00	\$55.00	9.85	9.45	9.05	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00	\$56.00	10.05	9.65	9.25	8.90	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00	\$57.00	10.25	9.85	9.45	9.10	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00	\$58.00	10.45	10.05	9.65	9.30	8.90	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00	\$59.00	10.65	10.25	9.85	9.50	9.10	8.70	8.30	7.95	7.55	7.15	6.80
\$59.00	\$60.00	10.85	10.45	10.05	9.70	9.30	8.90	8.50	8.15	7.75	7.35	7.00
\$60.00	\$61.00	11.05	10.65	10.25	9.90	9.50	9.10	8.70	8.35	7.95	7.55	7.20
\$61.00	\$62.00	11.25	10.85	10.45	10.10	9.70	9.30	8.90	8.55	8.15	7.75	7.40
\$62.00	\$63.00	11.45	11.05	10.65	10.30	9.90	9.50	9.10	8.75	8.35	7.95	7.60
\$63.00	\$64.00	11.65	11.25	10.85	10.50	10.10	9.70	9.30	8.95	8.55	8.15	7.80
\$64.00	\$65.00	11.85	11.45	11.05	10.70	10.30	9.90	9.50	9.15	8.75	8.35	8.00
\$65.00	\$66.00	12.05	11.65	11.25	10.90	10.50	10.10	9.70	9.35	8.95	8.55	8.20
\$66.00	\$67.00	12.25	11.85	11.45	11.10	10.70	10.30	9.90	9.55	9.15	8.75	8.40
\$67.00	\$68.00	12.45	12.05	11.65	11.30	10.90	10.50	10.10	9.75	9.35	8.95	8.60
\$68.00	\$69.00	12.65	12.25	11.85	11.50	11.10	10.70	10.30	9.95	9.55	9.15	8.80
\$69.00	\$70.00	12.85	12.45	12.05	11.70	11.30	10.90	10.50	10.15	9.75	9.35	9.00
\$70.00	\$71.00	13.05	12.65	12.25	11.90	11.50	11.10	10.70	10.35	9.95	9.55	9.20
\$71.00	\$72.00	13.25	12.85	12.45	12.10	11.70	11.30	10.90	10.55	10.15	9.75	9.40
\$72.00	\$73.00	13.45	13.05	12.65	12.30	11.90	11.50	11.10	10.75	10.35	9.95	9.60
\$73.00	\$74.00	13.65	13.25	12.85	12.50	12.10	11.70	11.30	10.95	10.55	10.15	9.80
\$74.00	\$75.00	13.85	13.45	13.05	12.70	12.30	11.90	11.50	11.15	10.75	10.35	10.00
\$75.00	\$76.00	14.05	13.65	13.25	12.90	12.50	12.10	11.70	11.35	10.95	10.55	10.20
\$76.00	\$77.00	14.25	13.85	13.45	13.10	12.70	12.30	11.90	11.55	11.15	10.75	10.40
\$77.00	\$78.00	14.45	14.05	13.65	13.30	12.90	12.50	12.10	11.75	11.35	10.95	10.60
\$78.00	\$79.00	14.65	14.25	13.85	13.50	13.10	12.70	12.30	11.95	11.55	11.15	10.80
\$79.00	\$80.00	14.85	14.45	14.05	13.70	13.30	12.90	12.50	12.15	11.75	11.35	11.00
\$80.00		15.05	14.65	14.25	13.90	13.50	13.10	12.70	12.35	11.95	11.55	11.20
30 percent of the excess over \$80 plus—												
\$80 and over		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

29

1 (d) DISCLOSURE OF MARITAL STATUS; DETERMINA-
2 TION OF MARITAL STATUS; TREATMENT OF SURVIVING
3 SPOUSE.—Section 3402 (relating to income tax collected at
4 source) is amended by adding at the end thereof the follow-
5 ing new subsection:

6 “(1) DETERMINATION AND DISCLOSURE OF MARITAL
7 STATUS.—

8 “(1) DETERMINATION OF STATUS BY EM-
9 PLOYER.—For purposes of applying the tables in sub-
10 sections (a) and (c) to a payment of wages, the em-
11 ployer shall treat the employee as a single person unless
12 there is in effect with respect to such payment of wages
13 a withholding exemption certificate furnished to the em-
14 ployer by the employee after the date of the enactment
15 of this subsection indicating that the employee is
16 married.

17 “(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An
18 employee shall be entitled to furnish the employer with
19 a withholding exemption certificate indicating he is mar-
20 ried only if, on the day of such furnishing, he is married
21 (determined with the application of the rules in para-

30

graph (3)). An employee whose marital status changes from married to single shall, at such time as the Secretary or his delegate may by regulations prescribe, furnish the employer with a new withholding exemption certificate.

“(3) DETERMINATION OF MARITAL STATUS.—For purposes of paragraph (2), an employee shall on any day be considered—

“(A) as not married, if (i) he is legally separated from his spouse under a decree of divorce or separate maintenance, or (ii) either he or his spouse is, or on any preceding day within the calendar year was, a nonresident alien; or

“(B) as married, if (i) his spouse (other than a spouse referred to in subparagraph (A)) died within the portion of his taxable year which precedes such day, or (ii) his spouse died during one of the two taxable years immediately preceding the current taxable year and, on the basis of facts existing at the beginning of such day, the employee reasonably expects, at the close of his taxable year, to be a surviving spouse (as defined in section 2 (b)).”

(e) WITHHOLDING ALLOWANCES FOR ITEMIZED DEDUCTIONS.—

31

1 (1) ALLOWANCE.—Section 3402 (f) (1) (relating
2 to withholding exemptions) is amended—

3 (A) by striking out “and” at the end of
4 subparagraph (D),

5 (B) by striking out the period at the end of
6 subparagraph (E) and inserting in lieu thereof
7 “; and”, and

8 (C) by adding at the end thereof the follow-
9 ing new subparagraph:

10 “(F) any allowance to which he is entitled
11 under subsection (m), but only if his spouse does
12 not have in effect a withholding exemption certifi-
13 cate claiming such allowance.”

14 (2) WITHHOLDING ALLOWANCES BASED ON ITEM-
15 IZED DEDUCTIONS.—Section 3402 (relating to income
16 tax collected at source) is amended by adding at the
17 end thereof the following new subsection:

18 “(m) WITHHOLDING ALLOWANCES BASED ON ITEM-
19 IZED DEDUCTIONS.—

20 “(1) GENERAL RULE.—An employee shall be en-
21 titled to withholding allowances under this subsection
22 with respect to a payment of wages in a number equal
23 to the number determined by dividing by \$700 the
24 excess of —

32

1 “(A) his estimated itemized deductions, over

2 “(B) an amount equal to the sum of 12 per-

3 cent of the first \$7,500 of his estimated wages and

4 17 percent of the remainder of his estimated wages.

5 If the number determined under the preceding sentence is

6 not a whole number, the fraction shall be disregarded; ex-

7 cept that, if the number determined is one-half or more but

8 less than one, it shall be increased to one.

9 “(2) DEFINITIONS.—For purposes of this sub-

10 section—

11 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—

12 The term ‘estimated itemized deductions’ means the

13 aggregate amount which he reasonably expects will

14 be allowable as deductions under chapter 1 (other

15 than the deductions referred to in sections 141 and

16 151 and other than the deductions required to be

17 taken into account in determining adjusted gross

18 income under section 62) for the estimation year.

19 In no case shall such aggregate amount be greater

20 than the amount of such deductions shown on his

21 return of tax under subtitle A for the taxable year

22 preceding the estimation year.

23 “(B) ESTIMATED WAGES.—The term ‘esti-

24 mated wages’ means the aggregate amount which he

25 reasonably expects will constitute wages for the

26 estimation year. In no case shall such aggregate

33

1 amount be less than the amount of wages shown
2 on his return for the taxable year preceding the
3 estimation year.

4 “(C) ESTIMATION YEAR.—In the case of an
5 employee who files his return on the basis of a
6 calendar year, the term ‘estimation year’ means—

7 “(i) with respect to payments of wages
8 after April 30 and on or before December 31
9 of any calendar year, such calendar year, and

10 “(ii) with respect to payments of wages
11 on or after January 1 and before May 1 of any
12 calendar year, the preceding calendar year (or,
13 if the employee has filed a return for the pre-
14 ceding calendar year, and if he has in effect
15 a withholding allowance under this subsection
16 based on using the current calendar year as
17 the estimation year, such current calendar
18 year).

19 In the case of an employee who files his return on
20 a basis other than the calendar year, his estimation
21 year, and the amounts deducted and withheld to be
22 governed by such estimation year, shall be deter-
23 mined under regulations prescribed by the Secretary
24 or his delegate.

34

1 “(3) SPECIAL RULES.—

2 “(A) MARRIED INDIVIDUALS.—The number of
3 withholding allowances to which a husband and
4 wife are entitled under this subsection shall be de-
5 termined on the basis of their combined wages and
6 deductions. This subparagraph shall not apply to a
7 husband and wife who filed separate returns for the
8 taxable year preceding the estimation year and who
9 reasonably expect to file separate returns for the
10 estimation year.

11 “(B) ONLY ONE CERTIFICATE TO BE IN
12 EFFECT.—In the case of any employee, withhold-
13 ing allowances under this subsection may not be
14 claimed with more than one employer at any one
15 time.

16 “(C) TERMINATION OF EFFECTIVENESS.—In
17 the case of an employee who files his return on the
18 basis of a calendar year, that portion of a withhold-
19 ing exemption certificate which relates to allow-
20 ances under this subsection shall not be effective
21 with respect to payments of wages after the first
22 April 30 following the close of the estimation year
23 on which it is based.

24 “(D) LIMITATION.—The Secretary or his
25 delegate may by regulations provide that one or

35

1 more of the withholding allowances to which an
2 employee would, but for this subparagraph, be en-
3 titled under this subsection shall be denied because
4 such employee's estimated wages are above the
5 level at which the amounts deducted and withheld
6 under this chapter are generally sufficient to offset
7 the liability for tax under chapter 1 with respect
8 to the wages from which such amounts are deducted
9 and withheld.

10 “(E) AUTHORITY TO PRESCRIBE TABLES.—
11 The Secretary or his delegate may prescribe tables
12 pursuant to which employees shall determine the
13 number of allowances to which they are entitled
14 under this subsection. Such tables may be based
15 on reasonable wage and itemized deduction brackets.

16 “(F) TREATMENT OF ALLOWANCES.—For
17 purposes of this title, any withholding allowance
18 under this subsection shall be treated as if it were
19 denominated a withholding exemption.”

20 (3) STATUS DETERMINATION DATE.—The last sen-
21 tence of section 3402 (f) (3) (B) is amended to read as
22 follows: “For purposes of this subparagraph, the term
23 ‘status determination date’ means January 1, May 1,
24 July 1, and October 1 of each year.”

25 (4) CIVIL PENALTY.—

36

(A) Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

**“SEC. 6682. FALSE INFORMATION WITH RESPECT TO
WITHHOLDING ALLOWANCES BASED ON
ITEMIZED DEDUCTIONS.**

“(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if any individual in claiming a withholding allowance under section 3402 (f) (1) (F) states (1) that the wages (within the meaning of chapter 24) shown on his return for any taxable year were less than such wages actually shown, or (2) that the itemized deductions referred to in section 3402 (m) on the return for any taxable year were greater than such deductions actually shown, he shall pay a penalty of \$50 for each such statement, unless (1) such statement did not result in a decrease in the amounts deducted and withheld under chapter 24, or (2) the taxes imposed with respect to the individual under subtitle A for the succeeding taxable year do not exceed the sum of (A) the credits against such taxes allowed by part IV of subchapter A of chapter 1, and (B) the payments of estimated tax which are considered payments on account of such taxes.

“(b) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency pro-

37.

cedures for income, estate, and gift taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

“Sec. 6682. False information with respect to withholding allowances based on itemized deductions.”

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended—

(A) by striking out “section 3402 (f)” and inserting in lieu thereof “section 3402”, and

(B) by striking out “any penalty otherwise provided” and inserting in lieu thereof “any other penalty provided by law (except the penalty provided by section 6682)”.

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402 (f) (3) (B) of the Internal

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1 Revenue Code of 1954, a withholding exemption certificate
2 furnished the employer after the date of the enactment of
3 this Act and before May 1, 1966, shall take effect with
4 respect to the first payment of wages made on or after
5 May 1, 1966, or the 10th day after the date on which such
6 certificate is furnished to the employer, whichever is later,
7 and at the election of the employer such certificate may
8 be made effective with respect to any payment of wages
9 made on or after the date on which such certificate is
10 furnished.

11 (g) EFFECTIVE DATE.—The amendments made by
12 this section (other than subsection (e)) shall apply only
13 with respect to remuneration paid after April 30, 1966.

14 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

15 (a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-
16 MATED TAX.—Section 6015(c) (relating to definition of
17 estimated tax in the case of an individual) is amended to
18 read as follows:

19 “(c) ESTIMATED TAX.—For purposes of this title, in
20 the case of an individual, the term ‘estimated tax’ means—

21 “(1) the amount which the individual estimates as
22 the amount of the income tax imposed by chapter 1
23 for the taxable year, plus

24 “(2) the amount which the individual estimates

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1 as the amount of the self-employment tax imposed by
2 chapter 2 for the taxable year, minus

3 “(3) the amount which the individual estimates
4 as the sum of any credits against tax provided by
5 part IV of subchapter A of chapter 1.”

6 (b) ADDITION TO TAX FOR UNDERPAYMENT OF
7 ESTIMATED TAX.—

8 (1) Section 6654 (a) (relating to addition to the
9 tax for underpayment of estimated tax by an individual)
10 is amended by inserting after “chapter 1” the following:
11 “and the tax under chapter 2”.

12 (2) Section 6654 (d) is amended to read as
13 follows:

14 “(d) EXCEPTION.—Notwithstanding the provisions of
15 the preceding subsections, the addition to the tax with re-
16 spect to any underpayment of any installment shall not be
17 imposed if the total amount of all payments of estimated tax
18 made on or before the last date prescribed for the payment
19 of such installment equals or exceeds the amount which
20 would have been required to be paid on or before such date
21 if the estimated tax were whichever of the following is the
22 least—

23 “(1) The tax shown on the return of the individual
24 for the preceding taxable year, if a return showing a

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1 liability for tax was filed by the individual for the pre-
2 ceding taxable year and such preceding year was a
3 taxable year of 12 months.

4 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
5 in the case of individuals referred to in section 6073 (b) ,
6 relating to income from farming or fishing) of the tax
7 for the taxable year computed by placing on an annual-
8 ized basis the taxable income for the months in the
9 taxable year ending before the month in which the
10 installment is required to be paid and by taking into
11 account the adjusted self-employment income (if the
12 net earnings from self-employment (as defined in sec-
13 tion 1402 (a)) for the taxable year equal or exceed
14 \$400). For purposes of this paragraph—

15 “(A) The taxable income shall be placed on
16 an annualized basis by—

17 “(i) multiplying by 12 (or, in the case
18 of a taxable year of less than 12 months, the
19 number of months in the taxable year) the tax-
20 able income (computed without deduction of
21 personal exemptions) for the months in the tax-
22 able year ending before the month in which the
23 installment is required to be paid,

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1 “(ii) dividing the resulting amount by the
2 number of months in the taxable year ending
3 before the month in which such installment date
4 falls, and

5 “(iii) deducting from such amount the de-
6 ductions for personal exemptions allowable for
7 the taxable year (such personal exemptions
8 being determined as of the last date prescribed
9 for payment of the installment).

10 “(B) The term ‘adjusted self-employment in-
11 come’ means—

12 “(i) the net earnings from self-employ-
13 ment (as defined in section 1402 (a)) for the
14 months in the taxable year ending before the
15 month in which the installment is required to
16 be paid, but not more than

17 “(ii) the excess of \$6,600 over the amount
18 determined by placing the wages (within the
19 meaning of section 1402 (b)) for the months in
20 the taxable year ending before the month in
21 which the installment is required to be paid on
22 an annualized basis in a manner consistent with
23 clauses (i) and (ii) of subparagraph (A).

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1 “(3) An amount equal to 90 percent of the tax
2 computed, at the rates applicable to the taxable year,
3 on the basis of the actual taxable income and the actual
4 self-employment income for the months in the taxable
5 year ending before the month in which the installment
6 is required to be paid as if such months constituted the
7 taxable year.

8 “(4) An amount equal to the tax computed, at the
9 rates applicable to the taxable year, on the basis of the
10 taxpayer’s status with respect to personal exemptions
11 under section 151 for the taxable year, but otherwise on
12 the basis of the facts shown on his return for, and the
13 law applicable to, the preceding taxable year.”

14 (3) Section 6654 (f) (relating to definition of tax
15 for purposes of subsections (b) and (d) of section 6654)
16 is amended to read as follows:

17 “(f) TAX COMPUTED AFTER APPLICATION OF
18 CREDITS AGAINST TAX.—For purposes of subsections (b)
19 and (d), the term ‘tax’ means—

20 “(1) the tax imposed by this chapter 1, plus

1 “(2) the tax imposed by chapter 2, minus

2 “(3) the credits against tax allowed by part IV
3 of subchapter A of chapter 1, other than the credit
4 against tax provided by section 31 (relating to tax
5 withheld on wages).”

6 (4) Section 7701 (a) (relating to definitions) is
7 amended by adding at the end thereof the following
8 new paragraph:

9 “(34) ESTIMATED INCOME TAX.—The term ‘esti-
10 mated income tax’ means—

11 “(A) in the case of an individual, the esti-
12 mated tax as defined in section 6015 (c) , or

13 “(B) in the case of a corporation, the esti-
14 mated tax as defined in section 6016 (b) .”

15 (5) Section 1403 (b) (cross references) is
16 amended by adding at the end thereof the following new
17 paragraph:

 “(3) For provisions relating to declarations of esti-
mated tax on self-employment income, see section 6015.”

18 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
19 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402 (e)

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1 (3) (relating to effective date of waiver certificates) is
2 amended by adding at the end thereof the following new
3 subparagraph:

4 “(E) For purposes of sections 6015 and 6654,
5 a waiver certificate described in paragraph (1)
6 shall be treated as taking effect on the first day of
7 the first taxable year beginning after the date on
8 which such certificate is filed.”

9 (d) EFFECTIVE DATE.—The amendments made by sub-
10 sections (a), (b), and (c) shall apply with respect to tax-
11 able years beginning after December 31, 1966.

12 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
13 **MATED INCOME TAX IN CASE OF INDIVID-**
14 **UALS.**

15 (a) IN GENERAL.—Section 6654 (b) (relating to
16 amount of underpayment), and section 6654 (d) (relating
17 to exception) as amended by section 102 (b) (2) of this
18 Act, are amended by striking out “70 percent” each place
19 it appears and inserting in lieu thereof “80 percent”.

20 (b) EFFECTIVE DATE.—The amendments made by

1 subsection (a) shall apply with respect to taxable years
2 beginning after December 31, 1966.

3 SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-
4 COME TAX BY CORPORATIONS.

5 (a) IN GENERAL.—Subsection (a) of section 6154
6 (relating to installment payments of estimated income tax
7 by corporations) is amended to read as follows:

8 “(a) AMOUNT AND TIME FOR PAYMENT OF EACH
9 INSTALLMENT.—The amount of estimated tax (as defined
10 in section 6016(b)) with respect to which a declaration
11 is required under section 6016 shall be paid as follows:

12 “(1) TAXABLE YEARS BEGINNING IN 1966.—
13 With respect to taxable years beginning after Decem-
14 ber 31, 1965, and before January 1, 1967, such esti-
15 mated tax shall be paid in installments in accordance
16 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month)			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

17 “(2) TAXABLE YEARS BEGINNING AFTER 1966.—
18 With respect to taxable years beginning after December

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31, 1966, such estimated tax shall be paid in installments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—"	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33½	33½	33½
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

“(3) **TIMELY FILING.**—A declaration is timely filed for the purposes of paragraphs (1) and (2) if it is not required by section 6074 (a) to be filed on a date (determined without regard to any extension of time for filing the declaration under section 6081) before the date it is actually filed.

“(4) **LATE FILING.**—If the declaration is filed after the time prescribed in section 6074 (a) (determined without regard to any extension of time for filing the declaration under section 6081), there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 6074 (a), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.”

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1 (b) EFFECTIVE DATE.—The amendment made by sub-
2 section (a) shall apply with respect to taxable years begin-
3 ning after December 31, 1965.

4 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
5 **TAX RATE REDUCTIONS**

6 **SEC. 201. PASSENGER AUTOMOBILES.**

7 (a) POSTPONEMENT OF RATE REDUCTIONS.—Sub-
8 paragraph (A) of section 4061 (a) (2) (relating to im-
9 position of tax) is amended to read as follows:

10 “(A) Articles enumerated in subparagraph (B)
11 are taxable at whichever of the following rates is
12 applicable:

13 “7 percent for the period beginning with the day
14 after the date of the enactment of the Tax
15 Adjustment Act of 1966 through March 31,
16 1968.

17 “2 percent for the period April 1, 1968, through
18 December 31, 1968.

19 “1 percent for the period after December 31, 1968.”

20 (b) FLOOR STOCKS TAX.—Section 4226 (relating to
21 floor stocks taxes) is amended—

22 (1) By adding at the end of subsection (a) the
23 following new paragraph:

24 “(8) 1966 TAX ON AUTOMOBILES.—On any arti-

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1 cle subject to tax under section 4061 (a) (2) which on
2 the day after the date of the enactment of the Tax
3 Adjustment Act of 1966 is held by a dealer and has not
4 been used and is intended for sale, there is imposed a
5 floor stocks tax at the rate of 1 percent of the price for
6 which the article was sold by the manufacturer, pro-
7 ducer, or importer. Under regulations prescribed by the
8 Secretary or his delegate, the tax imposed under this
9 paragraph shall be paid by such dealer and shall be col-
10 lected from him by the manufacturer, producer, or im-
11 porter."

12 (2) By amending subsection (d) —

13 (A) by striking out "and except" and insert-
14 ing in lieu thereof "except", and

15 (B) by striking out "delegate." and inserting
16 in lieu thereof "delegate, and except that the tax
17 imposed by paragraph (8) shall be paid at such
18 time after 60 days after the date of enactment of
19 the Tax Adjustment Act of 1966 as may be pre-
20 scribed by the Secretary or his delegate."

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 6412 (a) (1) (relating to floor stocks
23 refunds on passenger automobiles, etc.) is amended by
24 striking out "January 1, 1966, 1967, 1968, or 1969,"

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1 and inserting in lieu thereof "January 1, 1966, April 1,
2 1968, or January 1, 1969,".

3 (2) Section 209(c)(1)(G) of the Highway
4 Revenue Act of 1956 (relating to general provisions
5 for transfers to the Highway Trust Fund) is amended
6 by striking out "section 4226(a)" and inserting in lieu
7 thereof "section 4226(a) (other than paragraph (8)
8 thereof)".

9 (d) EFFECTIVE DATE.—The amendment made by sub-
10 section (a) shall apply with respect to articles sold after
11 the date of the enactment of this Act.

12 **SEC. 202. COMMUNICATION SERVICES.**

13 (a) POSTPONEMENT OF RATE REDUCTIONS.—Section
14 4251 (relating to tax on communications) is amended—

15 (1) By striking out subsection (a)(2) and in-
16 serting in lieu thereof:

17 " (2) The rate of tax referred to in paragraph (1)
18 is as follows:

Amounts paid pursuant to bills first rendered—	Percent—
"Before April 1, 1968-----	10
"After March 31, 1968, and before January 1, 1969-----	1"

19 (2) By striking out subsection (c) and inserting
20 in lieu thereof:

21 "(c) SPECIAL RULE.—For purposes of subsection (a),
22 in the case of communications services rendered before Feb-

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1 ruary 1, 1968, for which a bill has not been rendered before
2 April 1, 1968, a bill shall be treated as having been first
3 rendered on March 31, 1968. For purposes of subsections
4 (a) and (b), in the case of communications services ren-
5 dered after January 31, 1968, and before November 1,
6 1968, for which a bill has not been rendered before Jan-
7 uary 1, 1969, a bill shall be treated as having been first
8 rendered on December 31, 1968.”

9 (b) NONPROFIT HOSPITALS.—Section 4253 (relating
10 to exemptions from tax on communications) is amended by
11 adding at the end thereof the following new subsection:

12 “(h) NONPROFIT HOSPITALS.—No tax shall be im-
13 posed under section 4251 on any amount paid by a non-
14 profit hospital for services furnished to such organization.
15 For purposes of this subsection, the term ‘nonprofit hospital’
16 means a hospital referred to in section 503 (b) (5) which is
17 exempt from income tax under section 501 (a).”

18 (c) EFFECTIVE DATE.—The amendments made by sub-
19 sections (a) and (b) shall apply to amounts paid pursuant
20 to bills first rendered on or after the first day of the first
21 month which begins more than 15 days after the date on
22 which this Act is enacted for services rendered on or after
23 such first day. In the case of amounts paid pursuant to bills
24 rendered on or after such first day for services which were

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1 rendered before such first day and for which no previous bill
2 was rendered, such amendments shall apply except with re-
3 spect to such services as were rendered more than 2 months
4 before such first day. In the case of services rendered more
5 than 2 months before such first day, the provisions of sub-
6 chapter B of chapter 33 of the Code in effect at the time such
7 services were rendered, subject to the provision of section
8 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
9 apply to the amounts paid for such services.

Passed the House of Representatives February 23, 1966.

Attest:

RALPH R. ROBERTS,

Clerk.

89th Congress }
2d Session }

COMMITTEE PRINT

SUMMARY OF H.R. 12752
TAX ADJUSTMENT BILL OF 1966
AS PASSED THE
HOUSE OF REPRESENTATIVES

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
U.S. SENATE

BY THE STAFF OF THE
JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION



February 24, 1966

SUMMARY OF H.R. 12752

I. SUMMARY

The provisions of the bill are based upon recommendations made by the President. They are grouped under two headings: (1) Procedures which affect tax collections but leave tax liabilities unchanged; and (2) A 2-year moratorium on rate reductions scheduled under existing law for the excise taxes on passenger automobiles and telephone service.

(1) *Graduated withholding.*—H.R. 12752 replaces the present single 14 percent withholding tax rate with a series of six graduated rates ranging from 14 to 30 percent which apply to the first \$12,000 of taxable income for single taxpayers and the first \$24,000 of taxable income for married persons. The 30-percent tax rate also will apply to all higher levels of taxable income. The system takes account of the minimum standard deduction or deductions of 10 percent of wages, the taxpayer's marital status and the statutory tax rates. A provision is included in the bill to reduce overwithholding by permitting taxpayers, whose itemized deductions (as a percentage of their wages) are in excess of certain limits, to claim withholding allowances.

(2) *Quarterly payments of estimated self-employment tax.*—Self-employed persons are to be required to file declarations with respect to the total of their estimated income tax and self-employment tax and to make quarterly payments based on this declaration.

(3) *Underpayment of estimated tax by individuals.*—A penalty generally is to be incurred by a taxpayer when the total of the amounts withheld from his wages and the amounts paid through quarterly payments of estimated tax are less than 80 percent of the tax shown on his return, an increase from the present 70 percent.

(4) *Acceleration of corporation income tax payments.*—The schedule bringing corporation payments of estimated income tax liabilities above \$100,000 to a current basis is to be accelerated so that the current payments basis will be reached in 1967 instead of 1970 as scheduled under present law.

(5) *Excise tax on passenger automobiles.*—The excise tax rate on passenger automobiles is to revert to 7 percent (the rate before January 1, 1966), from 6 percent, and there will be a moratorium on further tax rate reductions scheduled under present law through March 31, 1968. A tax of 1 percent will be imposed on dealer stocks of automobiles held on the day following the date of enactment.

(6) *Excise tax on telephone service.*—The excise tax rate on general and toll telephone and teletypewriter exchange services is to revert to 10 percent (the rate before January 1, 1966), from 3 percent. It is to be in effect through March 31, 1968, when the moratorium on rate reductions scheduled under present law ends. Nonprofit hospitals are to be exempt from the tax on telephone services.

The President's recommendations differ from the provisions of H.R. 12752 in three respects:

(a) The withholding allowances which reduce overwithholding were not included;

(b) An increase in the 70-percent requirement for quarterly estimated tax payments was not included;

(c) The schedule of excise tax rate reductions which went into effect on January 1, 1966, would be deferred until January 1, 1968, when the phasing of reductions would begin again and follow at the prescribed intervals.

II. REVENUE EFFECTS

As indicated in table 1, H.R. 12752 is expected to increase fiscal year 1966 administrative budget receipts by \$1,155 million and fiscal year 1967 receipts by \$4,765 million. This latter figure is slightly below that recommended by the President. In addition, consolidated cash budget receipts will be further increased by \$200 million in the fiscal year 1967. This increase differs from the recommendation of the President only in that the \$200 million under his recommendation was spread over the fiscal years 1966 and 1967.

TABLE 1.—*Estimated revenue increase under H.R. 12752 for the fiscal years 1966 and 1967*

[Includes effect of Ways and Means Committee floor amendment]

[In millions of dollars]

	Fiscal year 1966	Fiscal year 1967
Excises:		
Communications.....		785
Automobiles.....	60	420
Total excises.....	60	1,205
Corporate speedup.....	1,000	3,200
Graduated withholding.....	95	210
Increase in declaration requirement under individual income tax from 70 to 80 percent.....		150
Total, administrative budget.....	1,155	4,765
Self-employment tax, social security, quarterly payments (goes into a trust fund).....		200
Total, cash budget.....	1,155	4,965

The largest single source of additional revenue will come from advancing the payment dates of the corporate tax. This is expected to increase revenues in the fiscal year 1966 by \$1 billion and revenues in fiscal year 1967 by \$3.2 billion. The excise tax reduction moratorium on automobiles and communications represents the second major revenue source under the bill. It is estimated that this will raise revenues by \$60 million in the fiscal year 1966 and by \$1,205 million in the fiscal year 1967. Graduated withholding and the increase in the declaration requirement under the individual income tax from 70 to 80 percent of actual tax liability are expected to increase revenues by \$95 million in the fiscal year 1966 and by \$360 million in the fiscal year 1967.

Table 2 shows the revenue impact of the graduated withholding system and the declaration requirement change. Only the graduated

withholding system has an impact in the fiscal year 1966. In the fiscal year 1967 a graduated withholding system with no allowances for excess itemized deductions would increase revenues by \$400 million. The provisions for withholding allowances and the 80 percent declaration requirement provide a net reduction of \$40 million and with graduated withholding give rise to an estimated revenue gain of \$360 million for the fiscal year 1967, or slightly less than that recommended by the President.

TABLE 2.—*Revenue effect of provisions of H.R. 12752 relating to graduated withholding and declarations of estimated tax*

[Includes effect of Ways and Means Committee floor amendment]

[In millions of dollars]

Provisions	Effective date	Full year effect	Change in receipts	
			Fiscal year 1966	Fiscal year 1967
6-rate graduated withholding.....	May 1, 1966	+1,240	+95	+400
Extra withholding allowance for excess deductions ¹	Jan. 1, 1967	-1,175	-----	-190
Increase requirement for estimated tax from 70 to 80 percent.....	Jan. 1, 1967	+300	-----	+150
Total for individuals.....	-----	+365	+95	+360

¹ Assumes $\frac{3}{4}$ utilization by eligible taxpayers.

Table 3 presents a comparison of administrative budget expenditures and receipts, with and without the revenue effects of H.R. 12752, for fiscal years 1966 and 1967. It also shows the effects of this bill upon the estimated budgetary deficits.

TABLE 3.—*Comparison of administrative budget receipts and expenditures with and without H.R. 12752, fiscal years 1966 and 1967*

[Includes effect of Ways and Means Committee floor amendment]

[In billions of dollars]

	Fiscal year 1966	Fiscal year 1967	Change fiscal year 1967 over fiscal year 1966
Expenditures.....	106.4	112.8	+6.4
Receipts without bill.....	98.8	106.2	+7.3
Deficit without bill.....	7.6	6.7	-0.9
Increase in receipts under bill.....	+1.2	+4.8	+3.7
Total receipts (including those under this bill).....	100.0	111.0	+11.0
Deficit after taking account of revenues under this bill..	6.4	1.8	-4.6

NOTE.—Figures are based on President's budget message, and therefore totals include estimated effects of proposed legislation other than H.R. 12752. Figures are rounded and will not necessarily add to totals.

III. GENERAL EXPLANATION

1. Graduated withholding (Sec. 101 of the bill and sec. 3402 of the code)

Present law.—Under present law, employers withhold Federal income tax from wages and salaries at the rate of 14 percent after recognizing the withholding exemptions claimed by an employee for himself, his wife, and any dependents. The 14-percent rate is equivalent to the average of the four tax rates which apply to the initial

\$2,000 of taxable income (\$4,000 for married couples), reduced to reflect the 10-percent standard deduction. To further reflect the standard deduction, the value of exemptions is increased from \$600 to \$667 for withholding purposes. Employees claim withholding exemptions by filing withholding exemption certificates with their employers. These certificates remain in force until superseded by the submission of later ones.

Table 4 compares the effects on withholding of the present single rate system, the 6-rate graduated withholding system recommended by the President and the President's graduated system including the addition of withholding allowances.

TABLE 4.—Effect of graduated withholding provisions of H.R. 12752 ¹

[Includes effect of Ways and Means Committee floor amendment]

	Present 14 percent with- holding	Change resulting from—			Gradu- ated with- holding
		6-rate system	Extra al- lowance provi- sion ²	Com- bined total	
All returns:					
A. Number of returns (millions):					
1. Overwithholding	39.8	-6.3	-1.2	-7.5	32.3
2. Underwithholding	12.5	-3.5	+1.0	-2.5	10.0
3. Breakeven ³	10.8	+9.8	+0.2	+10.0	20.8
4. Total	63.1				63.1
B. Amount (millions of dollars):					
1. Overwithholding	6,130	+50	-1,035	-985	5,145
2. Underwithholding	2,700	-1,190	+140	-1,050	1,650
3. Total withholding	36,440	+1,240	-1,175	+65	36,505
Under \$5,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	20.0	-7.0	-0.2	-7.2	12.8
2. Underwithholding	3.0	(⁴)	+0.2	+0.2	3.2
3. Breakeven ³	8.4	+7.0	(⁴)	+7.0	15.4
4. Total	31.4				31.4
B. Amount (millions of dollars):					
1. Overwithholding	2,130	-500	-165	-665	1,465
2. Underwithholding	340	(⁴)	+15	+15	355
3. Total withholding	5,720	-500	-180	-680	5,040
\$5,000 to \$10,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	15.0	-1.4	-0.7	-2.1	12.9
2. Underwithholding	5.7	-1.2	+0.5	-0.7	5.0
3. Breakeven ³	2.0	+2.6	+0.2	+2.8	4.8
4. Total	22.7				22.7
B. Amount (millions of dollars):					
1. Overwithholding	3,000	-20	-535	-555	2,445
2. Underwithholding	760	-250	+55	-195	565
3. Total withholding	17,140	+230	-590	-360	16,780
\$10,000 and over adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	4.8	+2.1	-0.3	+1.8	6.6
2. Underwithholding	3.8	-2.3	+0.3	-2.0	1.8
3. Breakeven ³	0.4	+0.2	(⁴)	+0.2	0.6
4. Total	9.0				9.0
B. Amount (millions of dollars):					
1. Overwithholding	1,000	+570	-335	+235	1,235
2. Underwithholding	1,600	-940	+70	-870	730
3. Total withholding	13,580	+1,510	-405	+1,105	14,685

¹ Based on taxable and nontaxable returns with no declaration payments.

² Assumes $\frac{3}{4}$ utilization by eligible persons.

³ Breakeven defined as within \$10 of the tax liability.

⁴ Negligible.

NOTE.—Based on calendar year 1966 levels of income. The terms "overwithholding" and "underwithholding" in this table mean the difference between actual tax liabilities (based on all types of income, deductions, etc.) and the amount of tax withheld from wages and salaries.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Explanation of graduated withholding generally.—The bill substitutes six graduated rates for the present withholding rate and incorporates features designed to reflect the minimum standard deduction. Moreover, it permits employees who would otherwise be overwithheld to make adjustments if their itemized deductions exceed specified amounts.

The graduated rates, which range from 14 percent to 30 percent, are included in two separate rate schedules, one for single persons and heads of households, and the other, with wider brackets to take account of statutory income splitting, for married persons and surviving spouses.

The minimum standard deduction is taken into account by raising the value of the exemption to \$700 for withholding purposes and by establishing an initial band of wage income after exemptions, equal to \$200 on an annual basis, from which no tax will be withheld. This is consistent with the provisions regarding the minimum standard deduction. The rate schedule also reflects an allowance for deductions of approximately 10 percent of wage and salary income at wage levels where the minimum standard deduction is not used.

The withholding rate schedules for single persons and married persons as applied to an annual basis are as follows:

SINGLE PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200.....	0.
Over \$200 but not over \$700.....	14% of wages in excess of \$200.
Over \$700 but not over \$1,200....	\$70 plus 15% of wages in excess of \$700.
Over \$1,200 but not over \$4,400...	\$145 plus 17% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800...	\$689 plus 20% of wages in excess of \$4,400.
Over \$8,800 but not over \$11,000..	\$1,569 plus 25% of wages in excess of \$8,800.
Over \$11,000.....	\$2,119 plus 30% of wages in excess of \$11,000.

MARRIED PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200.....	0.
Over \$200 but not over \$1,200....	14% of wages in excess of \$200.
Over \$1,200 but not over \$4,400...	\$140 plus 15% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800...	\$620 plus 17% of wages in excess of \$4,400.
Over \$8,800 but not over \$17,700..	\$1,368 plus 20% of wages in excess of \$8,800.
Over \$17,700 but not over \$22,000..	\$3,148 plus 25% of wages in excess of \$17,700.
Over \$22,000.....	\$4,223 plus 30% of wages in excess of \$22,000.

As under present law, employers will be permitted to compute withholding by means of either wage-bracket tables or by means of a percentage method. Wage-bracket tables for the various payroll periods now recognized, as set forth in the bill, will be distributed by the Internal Revenue Service. Instructions for applying the percentage method will also be supplied.

Employers are required to compute withholding on the basis of the rates applicable to single persons if an employee fails to submit a new withholding exemption certificate.

Explanation of withholding allowances for persons with substantial itemized deductions.—Taxpayers with relatively large itemized deductions may claim withholding allowances in addition to the regular withholding exemptions. Each allowance will have the same effect on withholding from wages and salaries as a claimed exemption; that is, it will exempt \$700 from withholding on an annual basis.

Taxpayers will be required to estimate their wage and salary income and the amount of their itemized deductions. The amount of estimated wage and salary income for this purpose, however, may not be less than the amount shown on the return for the previous year, while the estimated amount of itemized deductions may not exceed the amount of such deductions claimed on the tax return filed for the previous year.

For those with estimated wage or salary incomes of \$7,500 or less, the number of withholding allowances will be based on the excess of estimated itemized deductions over 12 percent of estimated wage and salary income. For those with higher estimated wages, the allowances will be based on the excess over the sum of \$900 (12 percent of \$7,500) and 17 percent of estimated wage and salary income above \$7,500. Withholding allowances may be claimed one for each full \$700 of such excess, except that one allowance may be claimed when the excess is greater than \$350 but less than \$700.

Claims for withholding allowances will be filed by employees with their employers on withholding exemption certificates or similar forms. The employer will then withhold tax on the basis of the total of the claimed exemptions and withholding allowances. Withholding allowances must be claimed anew each year. For calendar year taxpayers, claims for withholding allowances will remain in effect until May 1 of the following year when a new claim must be filed. The fact that withholding allowances must be disregarded on expired claims will not affect the number of exemptions for dependents, etc., to be taken into account.

The Secretary of the Treasury or his delegate is authorized to design and promulgate for the guidance of employers and their employees ready reference tables which will simplify the determination of the number of withholding allowances to which an employee is entitled.

The bill also provides for imposition of a civil penalty of \$50 when a taxpayer lists wage and salary income of less than the amount received in the previous year or if he lists itemized deductions in excess of the amount claimed in the previous year. The civil penalty does not apply, however, if the misstatement does not result in reduced withholding or the tax liability does not exceed the amount withheld plus the payments of estimated tax.

Effective date.—Withholding under the new graduated rates is to apply to remuneration paid after April 30, 1966. The special relief procedures for persons with substantial itemized deductions will apply in years beginning after December 31, 1966.

Revenue effect.—It is estimated that the proposals relating to graduated withholding will increase the amount of tax withheld by \$1,240 million at annual rates during the calendar year 1966. When the procedures for claiming withholding allowances become effective, this amount will be reduced to \$65 million, if two-thirds of those eligible avail themselves of the procedure. Graduated withholding will increase administrative budget receipts by \$95 million in the fiscal year 1966 and by \$210 million in the fiscal year 1967.

Effect of graduated withholding at different income levels.—Table 5 compares the average amount of overwithholding and underwithholding under present law and under the graduated withholding system for all returns, for those with adjusted gross income under \$5,000, for those with income between \$5,000 and \$10,000, and for

those with such income over \$10,000. As is indicated in this table, H.R. 12752 makes a substantial reduction in underwithholding, decreasing this in the average case from \$151 to \$81. In addition, the bill, although primarily concerned with underwithholding, also substantially decreases overwithholding as well. This is attributable both to the provision for the minimum standard deduction in the lower brackets and also to the provision for a withholding allowance for those with substantial overwithholding.

Tables 6-A through 6-G show the tax liability for single persons, married couples with no dependents, and married couples with two dependents for several income levels. This tax liability is shown for varying assumed levels of standard (or minimum standard) or itemized deductions. The assumptions cover a 10-percent deduction, a 15-percent deduction, a 20-percent deduction, a 22½-percent deduction, a 25-percent deduction, a 27½-percent deduction, and a 30-percent deduction. With the tax liability in each of these cases, there is shown the amount withheld at the 14-percent flat rate of existing law and also under the graduated withholding provided by this bill. The special withholding allowance provided by the bill for substantial itemized deductions begins to decrease overwithholding above the 15-percent level.¹ Thus the impact of this allowance is shown only on tables 6-C through 6-G.

TABLE 5.—*Comparison of average amounts of underwithholding and overwithholding under present law and under H.R. 12752*

[Includes effect of Ways and Means Committee floor amendment]

	Present 14 percent withholding			Graduated withholding including withholding allowances		
	Returns ¹	Amount	Average	Returns ¹	Amount	Average
All returns:	<i>Millions</i>	<i>Millions</i>		<i>Millions</i>	<i>Millions</i>	
Overwithholding	45.2	\$6,130	\$136	42.7	\$5,145	\$120
Underwithholding	17.9	2,700	151	20.4	1,650	81
Under \$5,000 adjusted gross income:						
Overwithholding	24.2	2,130	88	20.5	1,465	71
Underwithholding	7.2	340	47	10.9	355	33
\$5,000 to \$10,000 adjusted gross income:						
Overwithholding	16.0	3,000	188	15.3	2,445	160
Underwithholding	6.7	760	113	7.4	565	76
\$10,000 and over adjusted gross income:						
Overwithholding	5.0	1,000	200	6.9	1,235	179
Underwithholding	4.0	1,600	400	2.1	730	348

¹ Returns from the \$10 tolerance breakeven class have been assigned equally to overwithholding and underwithholding.

¹ Although itemized deductions are taken into account on the first \$7,500 of income where they exceed 12 percent, this nevertheless does not result in the availability of a special withholding allowance below the 15-percent level because this allowance is available only when it is a full \$700 above the 12 percent (over \$350 for a single additional allowance).

TABLE 6-A.—Underwithholding and overwithholding under present law and under H.R. 12752 for selected taxpayers with deductions the greater of the minimum standard or 10 percent of wage income

Wage income	Tax liability	Amount of withholding		Overwithholding (+) or underwithholding (—)	
		Present 14 percent	Under H.R. 12752	Present 14 percent	Under H.R. 12752

SINGLE INDIVIDUAL					
\$1,000.....	\$16	\$47	\$14	+\$31	—\$2
\$2,000.....	163	187	162	+24	—1
\$3,000.....	329	327	332	—2	+3
\$5,000.....	671	607	672	—64	+1
\$7,500.....	1,168	957	1,169	—211	+1
\$10,000.....	1,742	1,307	1,694	—435	—48
\$12,500.....	2,398	1,657	2,359	—741	—39
\$15,000.....	3,154	2,007	3,109	—1,147	—45
\$20,000.....	4,918	2,707	4,609	—2,211	—309
\$25,000.....	6,982	3,407	6,109	—3,575	—873
\$35,000.....	11,627	4,807	9,109	—6,820	—2,518

MARRIED COUPLE, NO DEPENDENTS					
\$2,000.....	\$58	\$93	\$56	+\$35	—\$2
\$3,000.....	204	233	200	+29	—4
\$5,000.....	501	513	500	+12	—1
\$7,500.....	914	863	909	—51	—5
\$10,000.....	1,342	1,213	1,334	—129	—8
\$12,500.....	1,831	1,563	1,828	—268	—3
\$15,000.....	2,335	1,913	2,328	—422	—7
\$20,000.....	3,484	2,613	3,373	—871	—111
\$25,000.....	4,796	3,313	4,703	—1,483	—93
\$35,000.....	7,997	4,713	7,703	—3,284	—294

MARRIED COUPLE, 2 DEPENDENTS					
\$3,000.....	\$4	\$46	0	+\$42	—\$4
\$5,000.....	290	326	\$290	+36	0
\$7,500.....	686	676	671	—10	+5
\$10,000.....	1,114	1,026	1,096	—88	—18
\$12,500.....	1,567	1,376	1,548	—191	—19
\$15,000.....	2,062	1,726	2,048	—336	—14
\$20,000.....	3,160	2,426	3,048	—734	—112
\$25,000.....	4,412	3,126	4,283	—1,286	—364
\$35,000.....	7,529	4,526	7,283	—3,003	—246

TABLE 6-B.—Underwithholding and overwithholding under present law and under H.R. 12752 for selected taxpayers with deductions the greater of the minimum standard or 15 percent of wage income

Wage income	Tax liability	Amount of withholding		Overwithholding (+) or underwithholding (-)	
		Present 14 percent	Under H. R. 12752	Present 14 percent	Under H. R. 12752
SINGLE INDIVIDUAL					
\$1,000-----	\$16	\$47	\$14	+\$31	-\$2
\$2,000-----	161	187	162	+26	+1
\$3,000-----	302	327	332	+25	+30
\$5,000-----	624	607	672	-17	+48
\$7,500-----	1,080	957	1,169	-123	+89
\$10,000-----	1,605	1,307	1,694	-298	+89
\$12,500-----	2,198	1,657	2,359	-541	+161
\$15,000-----	2,884	2-007	3,109	-877	+225
\$20,000-----	4,498	2,707	4,609	-1,791	+111
\$25,000-----	6,382	3,407	6,109	-2,975	-273
\$35,000-----	10,700	4,807	9,109	-5,893	-1,591
MARRIED COUPLE, NO DEPENDENTS					
\$2,000-----	\$58	\$93	\$56	+\$35	-\$2
\$3,000-----	192	233	200	+41	+8
\$5,000-----	458	513	500	+55	+42
\$7,500-----	843	863	909	+20	+66
\$10,000-----	1,247	1,213	1,334	-34	+87
\$12,500-----	1,694	1,563	1,828	-131	+134
\$15,000-----	2,161	1,913	2,328	-248	+167
\$20,000-----	3,210	2,613	3,373	-597	+163
\$25,000-----	4,396	3,313	4,703	-1,083	+307
\$35,000-----	7,314	4,713	7,703	-2,601	+389
MARRIED COUPLE, 2 DEPENDENTS					
\$3,000-----	\$4	\$46	0	+\$42	-\$4
\$5,000-----	268	326	\$290	+58	+22
\$7,500-----	616	676	671	+60	+55
\$10,000-----	1,019	1,026	1,096	+7	+77
\$12,500-----	1,430	1,376	1,548	-54	+118
\$15,000-----	1,897	1,726	2,048	-171	+151
\$20,000-----	2,910	2,426	3,048	-484	+138
\$25,000-----	4,058	3,126	4,283	-932	+225
\$35,000-----	6,866	4,526	7,283	-2,340	+417

TABLE 6-C.—Underwithholding and overwithholding under present law, under H.R. 12752 as reported by the Ways and Means Committee, and under the Ways and Means Committee floor amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 20 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (—)		
		Present 14 percent	Under H. R. 12752		Present 14 percent	Under H. R. 12752	
			Before floor amendment ¹	After floor amendment ²		Before floor amendment ¹	After floor amendment ²

SINGLE INDIVIDUAL

\$1,000	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000	145	187	162	162	+42	+17	+17
\$3,000	276	327	332	332	+51	+56	+56
\$5,000	576	607	672	553	+31	+96	-23
\$7,500	998	957	1,169	1,029	-41	+171	+31
\$10,000	1,480	1,307	1,694	1,529	-173	+214	+49
\$12,500	2,022	1,657	2,149	2,149	-365	+127	+127
\$15,000	2,638	2,007	2,899	2,899	-631	+261	+261
\$20,000	4,096	2,707	4,399	4,399	-1,389	+303	+303
\$25,000	5,800	3,407	5,899	5,899	-2,393	+99	+99
\$35,000	9,772	4,807	9,109	9,109	-4,965	³ -663	³ -663

MARRIED COUPLE, NO DEPENDENTS

\$2,000	\$56	\$93	\$56	\$56	+\$37	0	0
\$3,000	170	233	200	200	+63	+\$30	+\$30
\$5,000	418	513	500	395	+95	+82	-23
\$7,500	772	863	909	790	+91	+137	+18
\$10,000	1,152	1,213	1,334	1,215	+61	+182	+63
\$12,500	1,556	1,563	1,688	1,688	+7	+132	+132
\$15,000	1,996	1,913	2,188	2,188	-83	+192	+192
\$20,000	2,960	2,613	3,198	3,198	-347	+238	+238
\$25,000	4,044	3,313	4,493	4,493	-731	+449	+449
\$35,000	6,668	4,713	7,283	7,283	-1,955	+615	+615

MARRIED COUPLE, 2 DEPENDENTS

\$3,000	0	\$46	0	0	+\$46	0	0
\$5,000	\$230	326	\$290	\$185	+96	+\$60	+\$60
\$7,500	552	676	671	560	+124	+119	+8
\$10,000	924	1,026	1,096	977	+102	+172	+53
\$12,500	1,304	1,376	1,408	1,408	+72	+104	+104
\$15,000	1,732	1,726	1,908	1,908	-6	+176	+176
\$20,000	2,660	2,426	2,908	2,908	-234	+248	+248
\$25,000	3,708	3,126	4,098	4,098	-582	+390	+390
\$35,000	6,236	4,526	6,863	6,863	-1,710	+627	+627

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor exceed \$350 rather than \$700.

³ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-D.—Underwithholding and overwithholding under present law, under H.R. 12752 as reported by the Ways and Means Committee, and under the Ways and Means Committee floor amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 22½ percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			Before floor amendment ¹	After floor amendment ²		Before floor amendment ¹	After floor amendment ²
SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000-----	138	187	162	162	+49	+24	+24
\$3,000-----	263	327	332	332	+64	+69	+69
\$5,000-----	552	607	672	553	+55	+120	+1
\$7,500-----	957	957	1,029	1,029	0	+72	+72
\$10,000-----	1,418	1,307	1,529	1,529	-111	+111	+111
\$12,500-----	1,935	1,657	2,149	2,149	-278	+214	+214
\$15,000-----	2,518	2,007	2,899	2,899	-511	+381	+381
\$20,000-----	3,901	2,707	4,189	4,189	-1,194	+288	+288
\$25,000-----	5,519	3,407	5,689	5,689	-2,112	+170	+170
\$35,000-----	9,308	4,807	9,109	9,109	-4,501	³ -199	³ -199
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$49	\$93	\$56	\$56	+\$44	+\$7	+\$7
\$3,000-----	159	233	200	200	+74	+41	+41
\$5,000-----	398	513	500	395	+115	+102	-3
\$7,500-----	736	863	790	790	+127	+54	+54
\$10,000-----	1,104	1,213	1,215	1,215	+109	+111	+111
\$12,500-----	1,487	1,563	1,688	1,688	+76	+201	+201
\$15,000-----	1,914	1,913	2,188	2,188	-1	+274	+274
\$20,000-----	2,835	2,613	3,048	3,048	-222	+213	+213
\$25,000-----	3,869	3,313	4,283	4,283	-556	+414	+414
\$35,000-----	6,353	4,713	7,073	7,073	-1,640	+720	+720
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	0	+\$46	0	0
\$5,000-----	\$211	326	\$290	\$185	+115	+\$79	-\$26
\$7,500-----	520	676	560	560	+156	+40	+40
\$10,000-----	876	1,026	977	977	+150	+101	+101
\$12,500-----	1,245	1,376	1,408	1,408	+131	+163	+163
\$15,000-----	1,650	1,726	1,908	1,908	+76	+258	+258
\$20,000-----	2,535	2,426	2,768	2,768	-109	+233	+233
\$25,000-----	3,533	3,126	3,923	3,923	-407	+390	+390
\$35,000-----	5,921	4,526	6,653	6,653	-1,395	+732	+732

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor exceed \$350 rather than \$700.

³ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-E.—Underwithholding and overwithholding under present law, under H.R. 12752 as reported by the Ways and Means Committee, and under the Ways and Means Committee floor amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 25 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			Before floor amendment ¹	After floor amendment ²		Before floor amendment ¹	After floor amendment ²
SINGLE INDIVIDUAL							
\$1,000.....	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000.....	130	187	162	162	+57	+32	+32
\$3,000.....	250	327	332	213	+77	+82	-37
\$5,000.....	528	607	672	553	+79	+144	+25
\$7,500.....	916	957	1,029	1,029	+41	+113	+113
\$10,000.....	1,355	1,307	1,529	1,529	-48	+174	+174
\$12,500.....	1,847	1,657	2,149	2,149	-190	+302	+302
\$15,000.....	2,398	2,007	2,689	2,689	-391	+291	+291
\$20,000.....	3,706	2,707	4,189	4,189	-999	+483	+483
\$25,000.....	5,238	3,407	5,479	5,479	-1,831	+241	+241
\$35,000.....	8,855	4,807	8,899	8,899	-4,048	³ +44	³ +44
MARRIED COUPLE, NO DEPENDENTS							
\$2,000.....	\$42	\$93	\$56	\$56	+\$51	+\$14	+\$14
\$3,000.....	148	233	200	98	+85	+52	-50
\$5,000.....	378	513	500	395	+135	+122	+17
\$7,500.....	701	863	790	790	+162	+89	+89
\$10,000.....	1,057	1,213	1,215	1,215	+156	+158	+158
\$12,500.....	1,418	1,563	1,688	1,688	+145	+270	+270
\$15,000.....	1,831	1,913	2,048	2,048	+82	+217	+217
\$20,000.....	2,710	2,613	3,048	3,098	-97	+338	+338
\$25,000.....	3,694	3,313	4,098	4,098	-381	+404	+404
\$35,000.....	6,038	4,713	6,863	6,863	-1,325	+825	+825
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000.....	0	\$46	0	0	-\$46	0	0
\$5,000.....	\$192	326	\$290	\$185	+134	+\$98	-\$7
\$7,500.....	488	676	560	560	+188	+72	+72
\$10,000.....	829	1,026	977	977	+197	+148	+148
\$12,500.....	1,185	1,376	1,408	1,408	+191	+223	+223
\$15,000.....	1,567	1,726	1,768	1,768	+159	+201	+201
\$20,000.....	2,410	2,426	2,768	2,768	+16	+358	+358
\$25,000.....	3,358	3,126	3,748	3,748	-232	+390	+390
\$35,000.....	5,612	4,526	6,443	6,443	-1,086	+831	+831

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor exceed \$350 rather than \$700.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6-F.—Underwithholding and overwithholding under present law, under H.R. 12752 as reported by the Ways and Means Committee, and under the Ways and Means Committee floor amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 27½ percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			Before floor amendment ¹	After floor amendment ²		Before floor amendment ¹	After floor amendment ²

SINGLE INDIVIDUAL							
\$1,000.....	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000.....	122	187	162	162	+65	+40	+40
\$3,000.....	238	327	332	213	+89	+94	-25
\$5,000.....	505	607	553	553	+102	+48	+48
\$7,500.....	874	957	1,029	1,029	+83	+155	+155
\$10,000.....	1,292	1,307	1,389	1,389	+15	+97	+97
\$12,500.....	1,760	1,657	1,969	1,969	-103	+209	+209
\$15,000.....	2,278	2,007	2,689	2,689	-271	+411	+411
\$20,000.....	3,514	2,707	3,979	3,979	-807	+465	+465
\$25,000.....	4,970	3,407	5,269	5,269	-1,563	+299	+299
\$35,000.....	8,418	4,807	8,479	8,479	-3,611	+61	+61

MARRIED COUPLE, NO DEPENDENTS							
\$2,000.....	\$35	\$93	\$56	\$56	+\$58	+\$21	+\$21
\$3,000.....	136	233	200	98	+97	+64	-38
\$5,000.....	358	513	395	395	+155	+37	+37
\$7,500.....	665	863	790	790	+198	+125	+125
\$10,000.....	1,010	1,213	1,096	1,096	+203	+86	+86
\$12,500.....	1,354	1,563	1,548	1,548	+209	+194	+194
\$15,000.....	1,748	1,913	2,048	2,048	+165	+300	+300
\$20,000.....	2,585	2,613	2,908	2,908	+28	+323	+323
\$25,000.....	3,519	3,313	3,923	3,923	-206	+404	+404
\$35,000.....	5,723	4,713	6,653	6,653	-1,010	+930	+930

MARRIED COUPLE, 2 DEPENDENTS							
\$3,000.....	0	\$46	0	0	+\$46	0	0
\$5,000.....	\$174	326	\$185	\$185	+152	+\$11	+\$11
\$7,500.....	456	676	560	560	+220	+104	+104
\$10,000.....	782	1,026	858	858	+244	+76	+76
\$12,500.....	1,126	1,376	1,283	1,283	+250	+157	+157
\$15,000.....	1,484	1,726	1,768	1,768	+242	+284	+284
\$20,000.....	2,285	2,426	2,628	2,628	+141	+343	+343
\$25,000.....	3,191	3,126	3,573	3,573	-65	+382	+382
\$35,000.....	5,332	4,526	6,233	6,233	-806	+901	+901

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor exceed \$350 rather than \$700.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6-G.—Underwithholding and overwithholding under present law, under H.R. 12752 as reported by the Ways and Means Committee, and under the Ways and Means Committee floor amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 30 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (—)		
		Present 14 percent	Under H. R. 12752		Present 14 percent	Under H. R. 12752	
			Before floor amendment ¹	After floor amend-ment ²		Before floor amend-ment ¹	After floor amend-ment ²
SINGLE INDIVIDUAL							
\$1,000	\$14	\$47	\$14	\$14	+\$33	0	0
\$2,000	115	187	162	56	+72	+\$47	—59
\$3,000	225	327	332	213	+102	+107	—12
\$5,000	481	607	553	553	+126	+72	+72
\$7,500	833	957	1,029	1,029	+124	+196	+196
\$10,000	1,230	1,307	1,389	1,389	+77	+159	+159
\$12,500	1,672	1,657	1,969	1,969	—15	+297	+297
\$15,000	2,162	2,007	2,479	2,479	—155	+317	+317
\$20,000	3,334	2,707	3,769	3,769	—627	+435	+435
\$25,000	4,708	3,407	5,059	5,059	—1,301	+351	+351
\$35,000	7,980	4,807	8,059	8,059	—3,173	³ +79	³ +79
MARRIED COUPLE, NO DEPENDENTS							
\$2,000	\$28	\$93	\$56	0	+\$65	+\$28	—\$28
\$3,000	126	233	200	\$98	+107	+74	—28
\$5,000	338	513	395	395	+175	+57	+57
\$7,500	630	863	790	790	+233	+160	+160
\$10,000	962	1,213	1,096	1,096	+251	+134	+134
\$12,500	1,294	1,563	1,548	1,548	+269	+254	+254
\$15,000	1,666	1,913	1,908	1,908	+247	+242	+242
\$20,000	2,460	2,613	2,768	2,768	+153	+308	+308
\$25,000	3,344	3,313	3,748	3,748	—31	+404	+404
\$35,000	5,436	4,713	6,233	6,233	—723	+797	+797
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000	0	\$46	0	0	+\$46	0	0
\$5,000	\$155	326	\$185	\$185	+171	+\$30	+\$30
\$7,500	426	676	560	560	+250	+134	+134
\$10,000	734	1,026	858	858	+292	+124	+124
\$12,500	1,066	1,376	1,283	1,283	+310	+217	+217
\$15,000	1,402	1,726	1,628	1,628	+324	+226	+226
\$20,000	2,172	2,426	2,488	2,488	+254	+316	+316
\$25,000	3,035	3,126	3,398	3,398	+91	+363	+363
\$35,000	5,052	4,526	5,813	5,813	—526	+761	+761

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages exceeds estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor exceed \$350 rather than \$700.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

2. Payments of estimated social security and hospital insurance taxes by self-employed persons (sec. 102 of the bill and sec. 6015 of the code)

Present law.—Under existing law, self-employed persons are required to pay their social security tax and their tax for the hospital insurance program when they file their final income tax return for a given year. However, they may voluntarily pay this tax quarterly with their estimated income tax payments.

The tax, now based on the initial \$6,600 of net earnings from self-employment, is imposed on self-employed individuals who have net earnings from self-employment which total \$400 or more. When an individual also has covered wage income, this is subtracted from the \$6,600 maximum earnings base, and the self-employment tax is computed on the lesser of this amount or net earnings from self-employment. A taxpayer who has \$400 of net self-employment income must file a final return and pay self-employment tax even if he is not required to file an income tax return.

Explanation of provisions.—Under the bill, a self-employed person will be required to file a declaration of estimated tax whenever the combined total of his estimated income tax liability and his estimated social security and hospital insurance tax liability exceeds \$40. Payments of estimated tax will be made as at present with the exception that the amount paid will include both the estimated income tax and the estimated self-employment tax. That is, calendar-year taxpayers will have to file the declaration by April 15 and quarterly payments will be required on April 15, June 15, and September 15 of the current year and on January 15 of the succeeding year.

Tables 7 and 8 show the maximum dollar amount of self-employment tax and tax liability since 1951.

TABLE 7.—Maximum dollar amount of self-employment tax for individuals, 1951 to 1987

Year	Maximum net earnings base ¹	Tax rate	Maximum tax per person
		<i>Percent</i>	
1951-53.....	\$3,600	2.25	\$81.00
1954.....	3,600	3.0	108.00
1955-56.....	4,200	3.0	126.00
1957-58.....	4,200	3.375	141.75
1959.....	4,800	3.75	180.00
1960-61.....	4,800	4.5	216.00
1962.....	4,800	4.7	225.60
1963-65.....	4,800	5.4	259.20
1966.....	6,600	² 6.15	405.90
1967-68.....	6,600	6.40	422.40
1969-72.....	6,600	7.10	468.60
1973-75.....	6,600	7.55	498.30
1976-79.....	6,600	7.60	501.60
1980-86.....	6,600	7.70	508.20
1987+.....	6,600	7.80	514.80

¹ The minimum net earnings subject to the self-employment rate has been \$400 since 1951.

² Includes OASDI (social security) tax rates and HI (hospital insurance) tax rate of 1966 and all following years.

TABLE 8.—*Self-employment tax liability, 1951 to 1966*

Year	Self-employment tax		
	Number of income tax returns reporting self-employment tax	Amount of self-employment tax	Average tax per return ¹
	<i>Millions</i>	<i>Millions</i>	
1951.....	4.1	\$211.3	\$51.90
1952.....	4.1	217.5	53.60
1953.....	4.2	226.6	53.70
1954.....	4.2	301.5	71.60
1955.....	6.6	463.2	69.70
1956.....	7.4	533.1	72.50
1957.....	7.0	581.2	83.10
1958.....	7.0	589.2	84.00
1959.....	7.0	701.5	99.70
1960.....	6.9	833.5	121.00
1961.....	6.7	840.1	124.50
1962.....	6.7	887.2	132.90
1963.....	6.5	1,002.2	154.60
1964 (preliminary).....	6.3	1,009.0	160.00
1965 (estimate) ²	6.2	1,050.0	169.00
1966 (estimate) ³	6.3	1,500.0	238.00

¹ Average computed from unrounded figures.

² Includes doctors of medicine newly covered by the Social Security Amendments Act of 1965.

Persons who derive at least two-thirds of their total estimated gross income from farming and fishing activities will not be required to make quarterly payments of estimated self-employment tax. This treatment conforms to the present provisions for the payment of estimated income tax for farmers and fishermen. Such persons will have until January 15 of the year following the taxable year to file a declaration of estimated tax, and need not file a declaration at all if they choose to file their final tax return by February 15.

A penalty will be imposed for underpayment of estimated tax when a quarterly payment falls below 80 percent of the combined income and self-employment tax liability estimated at that time. The penalty is computed separately with respect to each quarterly installment. However, no penalty is imposed, even if the 80-percent rule is not met, when the estimated tax payment conforms to the exceptions currently applicable to quarterly estimated income tax payments (sec. 6654(d)).

Effective date.—This provision is effective for taxable years beginning after December 31, 1966.

Revenue effect.—This provision is expected to increase fiscal year 1967 trust fund revenues, which are not reflected in the administrative budget, by \$200 million. It will have no effect on revenues in the fiscal year 1966.

3. *Underpayment of installments of estimated income tax by individuals (sec. 103 of the bill and sec. 6654 of the code)*

Present law.—Under existing law the penalty for underpayment of estimated tax is restricted to the difference between the amount of tax paid through withholding, quarterly installments of estimated tax, or both, and 70 percent of the final liability for the taxable year. This penalty is computed on a quarterly basis. It is a charge equal to 6 percent per year on the amount of underpayment and is not a deductible expense for tax purposes.

Explanation of provisions.—H.R. 12752 increases the proportion of the final liability which is to be paid currently from 70 to 80 percent. This amendment restores the pre-1954 requirement.

The bill also modifies to 80 percent the one alternative exception to the penalty which contains a percentage test. This is the income test that calls for annualizing the taxable income received in the months prior to the month when a particular installment is due.

Effective date.—This provision will apply with respect to taxable years which begin after December 31, 1966.

Revenue effect.—It is estimated that the larger estimated tax payments required under this rule will result in a temporary increase in tax collections that will add \$150 million to revenues in fiscal year 1967.

4. *Acceleration of payment of estimated tax by corporations (sec. 104 of the bill and sec. 6154 of the Code)*

Present law.—Corporations with an estimated tax liability in excess of \$100,000 presently are required to make partial payments during the current tax year of their estimated tax in excess of \$100,000. Under the provisions of the Revenue Act of 1964, calendar year corporations make payments on estimated tax liability on April 15, June 15, September 15, and December 15.

Under the present schedule, these corporations file an initial declaration and pay 9 percent of their estimated 1966 tax liability in excess of \$100,000 on April 15 and on June 15 of this year. They pay installments of 25 percent each on September 15 and December 15 and the remaining 32 percent of the tax liability is paid in equal installments on March 15 and June 15, 1967.

In 1967, the April and June estimated taxpayments are each scheduled to be 14 percent of the estimated tax liability above \$100,000. The payment schedule under present law for a calendar-year corporation is summarized in table 9.

TABLE 9.—*Payment schedule for calendar-year corporations under present law showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	9	9	25	25	16	16
1967.....	14	14	25	25	11	11
1968.....	19	19	25	25	6	6
1969.....	22	22	25	25	3	3
1970.....	25	25	25	25	-----	-----
1971 and subsequent years.....	25	25	25	25	-----	-----

¹ Tax in excess of \$100,000.

Explanation of provisions.—H.R. 12752 accelerates the transition to full current payment of corporate tax liabilities in excess of \$100,000 which will be completed in 1967, instead of 1970 as provided under existing law.

Corporate tax liabilities remain unchanged by the provisions of this bill.

Under the bill, 12 percent, rather than 9 percent, of the tax in excess of \$100,000 is to be payable by a calendar-year corporation in April and June 1966, and in 1967 and thereafter 25 percent will be

payable on each of these two dates. Table 10 shows the schedule of payment dates provided under the bill for a calendar-year corporation for 1966 and subsequent years.

TABLE 10.—*Payment schedule for calendar-year corporations under bill showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	12	12	25	25	13	13
1967.....	25	25	25	25	-----	-----
1968 and subsequent years.....	25	25	25	25	-----	-----

¹ Tax in excess of \$100,000.

Corporations affected by this provision will not be put on a fully current basis with respect to their total tax payments, since only the estimated taxes in excess of \$100,000 are affected. In addition, the various provisions in existing law that limit the imposition of penalties when estimated payments fall short of actual liabilities are not changed.

Accelerating the corporate tax payments schedule to complete the transition to the current payments basis in 1967 will produce larger payments in 1966 and 1967 than would be made under present law. It also means that the tax payments in 1968, 1969, and 1970 will be lower than those scheduled under present law.

Effective date.—The revised schedule for corporation tax payments will apply to taxable years beginning after December 31, 1965.

Revenue effect.—Administrative budget receipts will be increased by \$1 billion in fiscal year 1966 and by \$3.2 billion in 1967 as a result of enactment of this provision.

5. *The excise tax on passenger automobiles (sec. 201 of the bill and sec. 4061 of the code)*

Present law.—Prior to the passage of the Excise Tax Reduction Act of 1965, a tax of 10 percent was imposed on the manufacturer's price for passenger automobiles. Under that act, the rate was reduced to 7 percent for the period June 22, 1965, to December 31, 1965. On January 1, 1966, the tax rate was reduced to 6 percent, and it is scheduled to fall to 4 percent on January 1, 1967, and to 2 percent on January 1, 1968. On January 1, 1969, the tax is to be reduced to a permanent level of 1 percent. Refunds will be paid to dealers with respect to automobiles held in inventory on any date on which the tax rate is reduced.

Explanation of provisions.—The bill restores the excise tax rate on passenger automobiles to the 7-percent rate applicable last December. The restoration of the 7-percent rate is for a 2-year period beginning the day after the date of enactment and ending on March 31, 1968. The excise tax rate on automobiles then will become 2 percent, as scheduled under present law for 1968 and 1 percent on January 1, 1969.

A tax of 1 percent of the manufacturer's (or importer's) price is imposed upon all new automobiles held in stock by dealers or distributors on the day when the 7-percent-tax rate becomes effective. The tax is

to be paid by the dealer and is to be collected from the dealer by the manufacturer (or importer). The Secretary of the Treasury will prescribe regulations which will instruct the dealer to prepare for the manufacturer (or importer) a list of the cars in his inventory on the day when the 7-percent tax becomes effective together with any other information needed by the manufacturer (or importer) to determine the sales price. The manufacturer (or importer) then will prepare a bill for the dealer on which he itemizes the floor stock tax upon each of these automobiles. The dealer then is to pay this tax to the manufacturer (or importer) who transmits it to the Government. In addition, the manufacturer (or importer) is to provide the dealer with information the dealer can use to show the customer a close approximation of the floor stock tax on each car. This is to be made available on, or shortly after, the date the floor stock tax applies. The floor stock tax of 1 percent will be paid on a date not earlier than 60 days after the date of enactment as indicated in regulations prescribed by the Secretary or his delegate.

Effective date.—The tax rate will be restored to 7 percent effective with respect to sales by manufacturers, producers, and importers beginning with the day after the date of enactment. The floor stocks tax is to be effective on the same day.

Revenue effect.—This provision will increase revenues by \$60 million in the fiscal year 1966 and by \$420 million in the fiscal year 1967.

6. *The excise tax on telephone service (sec. 202 of the bill and sec. 4251 of the code)*

Present law.—Under the law in effect prior to January 1, 1966, a 10-percent tax was levied on amounts paid for general and toll telephone and teletypewriter exchange service. This rate was lowered to 3 percent effective as of January 1, 1966, under the provisions of the Excise Tax Reduction Act of 1965. As presently scheduled, the tax rate will fall to 2 percent on January 1, 1967, to 1 percent on January 1, 1968, and will be repealed on January 1, 1969.

Explanation of provision.—The bill restores the 10-percent excise tax rate on telephone service, including teletypewriter service, and postpones further reduction in the tax rate until April 1, 1968. On that date, the tax rate is to fall to the 1-percent rate scheduled under present law to be effective in 1968. Then (as under present law) the tax is repealed on January 1, 1969.

Exemptions for hospitals.—The bill provides an exemption from the excise tax for telephone services furnished to nonprofit hospitals exempt from income tax. This is to accord such hospitals the same treatment accorded Government hospitals under present law.

Effective date.—The 10-percent rate on telephone and teletypewriter service is to become effective with respect to bills rendered on or after the first day of the first month which begins more than 15 days after the effective date of this legislation. The exemption for nonprofit hospitals is to go into effect at the same time.

Revenue effect.—This provision will increase revenues by \$785 million in the fiscal year 1967.

Table 11 presents a comparison of the effective dates for scheduled reductions in the excise tax rates applicable to automobiles and telephone and teletypewriter services under present law and H.R. 12752.

TABLE 11.—*Effective dates for scheduled excise tax reductions, under present law and H.R. 12752*

[In percent]

Excise tax and date	Excise tax rate under—	
	Present law	H. R. 12752
Automobiles:		
June 22, 1965.....	17	
Jan. 1, 1966.....	16	
Day after enactment of H. R. 12752.....	6	27
Jan. 1, 1967.....	14	7
Jan. 1, 1968.....	12	7
Apr. 1, 1968.....	2	12
Jan. 1, 1969.....	11	11
Communications:		
Jan. 1, 1966.....	3	
1st month beginning more than 15 days after enactment of H. R. 12752.....	3	10
Jan. 1, 1967.....	2	10
Jan. 1, 1968.....	1	10
Apr. 1, 1968.....	1	1
Jan. 1, 1969.....	Repeal	Repeal

¹ Appropriate floor stocks tax refunds for dealers' inventories.² Floor stocks tax of 1 percent applied to dealers' inventories.

Table 12 lists the effective dates for each provision of H.R. 12752.

TABLE 12.—*Effective dates for each provision of H.R. 12752*

Provision	Effective date
Graduated withholding schedules.....	Remuneration paid after Apr. 30, 1966.
Withholding allowances.....	Taxable years beginning after Dec. 31, 1966.
Quarterly payments of self-employed social security and hospital insurance taxes.	Do.
Underpayment on estimated individual income and self-employment taxes.	Do.
Accelerated payment of estimated corporation income tax.	Taxable years beginning after Dec. 31, 1965.
Excise tax and floor stocks tax on passenger automobiles.	The day after date of enactment.
Excise tax on telephone and teletypewriter services..	Bills rendered on 1st day of the month beginning more than 15 days after enactment.

CHAIRMAN RUSSELL B. LONG (DEMOCRAT, OF LOUISIANA), COMMITTEE ON FINANCE,
ANNOUNCES HEARINGS ON THE PRESIDENT'S 1966 TAX PROPOSALS

[For the press for immediate release Feb. 17, 1966]

Russell B. Long, chairman of the Committee on Finance, announced today that the committee would begin hearings on Friday, February 25, 1966, with respect to H.R. 12752, the Tax Adjustment Act of 1966. The Secretary of the Treasury, Hon. Henry H. Fowler, is to be the first witness.

Persons desiring to be heard on the proposals contained in H.R. 12752 should submit requests to Tom Vail, chief counsel, Committee on Finance, not later than Wednesday, February 23, 1966. In order to facilitate committee consideration of this important legislation, those with similar interests are urged to designate a single spokesman to present their testimony.

Witnesses who are scheduled to appear are further urged to make their statements as brief as possible to conserve the time of the committee. In order to further conserve the time of the committee, the committee will be pleased to receive from any interested person a written statement for inclusion in the printed record of the hearings in lieu of a personal appearance. These statements will be given the same full consideration as though they had been delivered orally.

All statements should include a summary sheet and subject headings.

The chairman further announced that the committee would proceed to executive consideration of the President's tax proposals promptly upon completion of the hearings.

Senator LONG. Our first witness this morning is the Secretary of the Treasury, the Honorable Henry H. Fowler.

Mr. Secretary, we are happy to welcome you to the committee.

I might point out, Mr. Secretary, that this hearing is beginning an hour earlier than our usual meeting time because I was fearful an objection might be made later in the day to the committee meeting while the Senate is in session. I will invite you to read your prepared statement and I hope we can withhold questions until after your statement has been presented.

I would suggest that we proceed this morning with the rule that we have been using on the Foreign Relations Committee that each Senator, on the first round, limit his interrogation to 10 minutes. Thereafter, I would place no limit on the amount of time each Senator might need for his questions.

You may proceed, Mr. Secretary.

**STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE
TREASURY; ACCOMPANIED BY STANLEY S. SURREY, ASSISTANT
SECRETARY FOR TAX POLICY**

Secretary FOWLER. Thank you, Mr. Chairman.

I have with me today Assistant Secretary Stanley S. Surrey, the Assistant Secretary of the Treasury for Tax Policy. He will assist me in dealing with questions of the committee on technical aspects of the bill before you.

Senator LONG. Mr. Secretary, would you like to summarize this statement or do you want to present the whole statement?

Secretary FOWLER. Mr. Chairman, I would like to read the early part of the statement completely, and then more or less summarize the technical provisions—unless the committee wishes to have the entire statement read.

Senator WILLIAMS. We have not had a chance to see your statement before.

Secretary FOWLER. Perhaps I should read it in full.

Senator WILLIAMS. That would be better.

Senator LONG. Mr. Secretary, I certainly don't want to proceed too expeditiously, although I do believe in proceeding expeditiously. Might I ask what pages you had in mind reading?

Secretary FOWLER. Through page 7.

Senator LONG. Fine. At that point, you can decide whether you want to summarize the remainder or read every word of it.

Secretary FOWLER. Thank you, Mr. Chairman.

I thank the committee for the promptness of this hearing on the tax changes embodied in H.R. 12752, which has been passed by the House of Representatives. This bill essentially embodies the President's tax program. We urge that it be approved as quickly as possible.

There are times when rapid action on tax legislation is needed. This is particularly true in the present case. Each passing day makes it harder for us to reduce the deficit in fiscal year 1966, and much delay could lower our ability to reduce the deficit in fiscal year 1967.

Briefly, H.R. 12752 involves (a) temporary restoration of the rates of excise tax on automobiles and telephones that were in effect at the end of 1965 and (b) the adoption of certain collection procedures which will put income and self-employment taxpayments closer to a pay-as-you-go system, thereby increasing current revenues without changing income tax rates and without changing anyone's final tax liabilities.

The main budgetary fact behind this program is that increased special costs associated with Vietnam will add \$4.7 billion in fiscal year 1966 expenditures over the amount originally estimated in the budget for that year presented in January 1965 and an additional \$5.8 billion, for a total of \$10.5 billion in fiscal year 1967.

The increased cost of Vietnam with its economic and psychological uncertainties came at a time when the success of a balanced and expansionary mix of fiscal and monetary policies, combined with wise practices in a dynamic private sector, had brought the Nation close to the achievement of many of its most important economic goals—a healthy rate of growth (the highest of any of the larger industrialized nations) in a full employment economy with a balanced budget, accompanied by price stability unparalleled in the industrialized world, and an equilibrium in our balance of payments.

Past tax reduction actions of the Congress, recommended or approved by this committee—the investment credit in the Revenue Act of 1962, the tax reduction program in the Revenue Act of 1964, the Excise Tax Reduction Act of 1965, and the administrative depreciation reforms of 1962 and 1965—made a signal contribution to this achievement.

Despite tax reductions that have cut the burden of taxes by some \$20 billion at this year's income levels, revenues under present law will be \$21 billion higher in fiscal year 1966 than they were in fiscal year 1961. This contrasts with a growth in receipts of only \$10 billion in the 5 years preceding 1961, a period in which there was no significant tax reduction.

Our fiscal policy has been successful. Had our defense commitments remained unchanged, the rise in receipts without the current tax bill

would have produced a budget surplus in fiscal year 1967 with room for increases in Federal civilian expenditures or further tax reductions or debt retirement.

In this situation we face the current problem of meeting the added costs of our southeast Asia operations. We are better prepared to meet these costs because of the 25-percent increase in real GNP in the last 5 years. We must recognize, however, that new problems call for new solutions.

The immediate response of this administration to the problem presented by the increased Vietnam expenditures in a nation nearing full employment was a maximum of economy in the preparation of budget expenditure proposals, consistent with recognition of clear international and domestic needs. Elimination of unnecessary activities and the reduction in the cost of continuing activities were pursued ruthlessly.

There was still a dilemma which President Johnson clearly described in a letter of January 19 addressed to Chairmen Long and Mills as coming down to three choices:

A deficit in excess of \$6.5 billion, which would require the Government to borrow the additional money.

An increase in corporate and personal income tax rates, or other new taxes.

Temporary restoration of certain excise taxes, and adoption of graduated withholding of individual income taxes and current payment of corporate income taxes—to put the American people on a pay-as-you-go basis without increasing the total tax bill due.

Senator WILLIAMS. Mr. Secretary, are you speaking of the 1967 budget?

Secretary FOWLER. Yes.

Senator WILLIAMS. Thank you.

Secretary FOWLER. In the President's words, "First, we could raise revenue or borrow it. I chose to raise the money." This decision recognizes that our fiscal policy over the last 5 years has substantially reduced the level of unused plant capacity and unused worker skills. With the Vietnam commitment superimposed on the robust private demands, a moderate and balanced shift away from the stimulative policy of the last 5 years is called for.

In the light of the uncertainty about the duration of the increased expenditures for Vietnam, a solution which involves predominantly temporary and passing changes largely in the timing of taxpayments without increasing income tax fiscal liabilities is a first preference to increasing personal and corporate income tax liabilities. This makes the last of the presidentially stated alternatives clearly preferable.

On the need for this bill, let me reemphasize first my point that for the most part the provisions of H.R. 12752 represent structural improvements in the tax law and the increased receipts are primarily associated with the transition. This means that it involves less of a burden than one would normally associate with an increase of revenues of \$4 billion in 1 fiscal year. Nevertheless, could even this be avoided by expenditure cuts?

First as to timing—here, Senator Williams, I refer to fiscal 1966—the bill in part is intended to deal with the budget problem in fiscal year 1966. These expenditures are based on programs that have been voted

and are in operation. They cannot be cut back materially. We need the bill to reduce the deficit in fiscal year 1966 by \$1.2 billion.

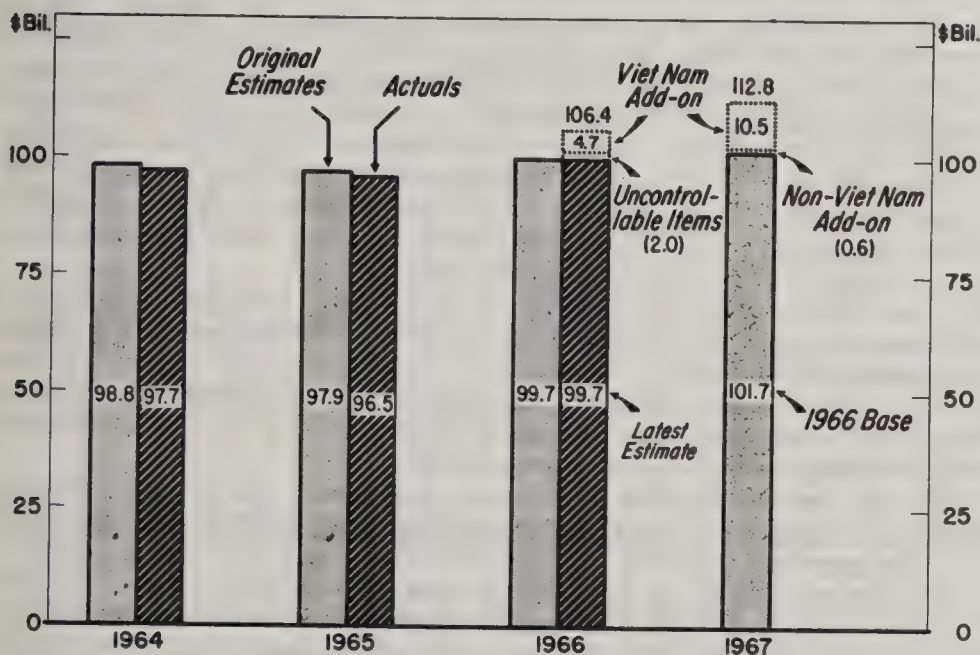
In assessing expenditure reduction possibilities for fiscal year 1967 as a substitute for this bill, it should be noted that the 1967 budget provides for an increase of only \$600 million over the expenditure levels in the non-Vietnam sector of the 1966 budget. Moreover, this minor increase in expenditures, apart from the requirements of Vietnam, comes after several years in which expenditure totals in the administrative budget have been held down.

This requires a summary examination of the record on expenditure control under President Johnson which is set forth on chart 1 attached to my statement.

(The chart and explanation follow:)

Chart 1

EXPENDITURES 1964-1967



Office of the Secretary of the Treasury

B-1518-1

EXPLANATION OF CHART 1

The increase of \$0.6 billion in budget expenditures, outside of special Vietnam costs, between 1966 and 1967, reflects many increases and decreases. For example, the 1967 budget provides for \$5.3 billion of expenditure increases. These increases include (1) \$3.2 billion for Great Society programs, primarily in education, health, and the war on poverty; (2) \$0.8 billion for higher interest costs and \$0.4 billion for the added costs over 1966 of the military and civilian employee pay raises enacted last October; and (3) \$1 billion for other unavoidable workload and contractual commitments, such as expenditures for construction projects started in earlier years.

Against these increases there are reduction of \$4.7 billion included in the 1967 budget. These consist partly of (1) \$1.6 billion in defense activities excluding the added Vietnam costs and (2) \$1.5 billion in savings through pruning lower priority programs, management improvements, and the nonrecurrence of certain

costs. The remaining \$1.6 billion reduction stems from increased sales of mortgages and other financial assets or conversion of direct Federal loans to guaranteed private loans—the substitution of private for public credit.

Former Budget Director Maurice Stans has estimated that nondefense expenditures can be expected to rise by \$2 to \$2½ billion each year due to the growing workloads which accompany increasing population and incomes. A net increase of only \$0.6 billion in fiscal 1967, therefore indicates extraordinary stringency.

Secretary FOWLER. 1. The President cut the original estimated expenditure level of \$98.8 billion for fiscal year 1964 by \$1.1 billion to an actual \$97.7 billion.

2. He cut the original estimated expenditure level of \$97.9 billion for fiscal year 1965—ending last June 30—by \$1.4 billion to an actual \$96.5 billion.

3. The expenditure target for fiscal year 1966 was fixed last January at \$99.7 billion. But accelerated military activity in Vietnam required extra expenditures of some \$4.7 billion. In addition, uncontrollable or legislated expenditures required another unavoidable increase amounting to a net figure of some \$2 billion. These expenditures included \$740 million of military and civilian pay increases voted by Congress in excess of Presidential recommendations, an additional \$288 million increase in veterans' pensions, a \$500 million increase in interest charges on the debt and two further increases of \$500 million each as a result of payments required by law under the space program and \$462 million under the commodity credit program. All of these increases more than wiped out economies realized since the original budget estimate for fiscal year 1966.

What all this adds up to is the striking fact that, had it not been for these unavoidable increases as a result of Vietnam and these other uncontrollable increases I have cited, the President in nearly 3 years in office would have held expenditures in the administrative budget to a total increase of less than \$1 billion over the amount estimated for the fiscal year in which he assumed office.

We can gain some idea of what a remarkable achievement this is when you compare it with the average increase of \$3 billion per year over the previous 10 years.

The program that we are urging meets the immediate and clearly foreseen needs, but this does not foreclose future dealing with longer run problems or new developments. The President in his letter stated further:

If our needs in Vietnam require additional revenues, I will not hesitate to request them. On the other hand, if our efforts for a peaceful resolution of the Vietnam situation are successful—and those efforts will continue day and night—then your Government's need for revenues will be sharply reduced, thus permitting downward tax revisions as we had following Korea.

In his budget message, he clearly committed himself to recommend additional measures in either of two contingencies. He said:

If, on the other hand, events in southeast Asia so develop that additional funds are required, I will not hesitate to request the necessary sums. And should that contingency arise, or should unforeseen inflationary pressures develop, I will propose such fiscal actions as are appropriate to maintain economic stability.

Insofar as inflationary pressures are concerned, the President stated his position concerning these tax proposals as recently as January 27 in his economic message saying:

To insure against the risk of inflationary pressures, I have asked Americans to pay their taxes on a more nearly current basis, and to postpone a scheduled tax cut. If it should turn out that additional insurance is needed, then I am convinced that we should levy higher taxes rather than accept inflation—which is the most unjust and capricious form of taxation.

Taxation is an effective and flexible instrument of economic policy. It can be adapted to the needs of the present circumstances without changing basic policies already incorporated in our tax law.

The tax changes in H.R. 12752 will:

Balance the cash budget.

Reduce the deficit in the administrative budget to the lowest level in 7 years.

Help maintain economic growth and reduce the risks of inflation.

The specific sources of increased budget receipts under H.R. 12752 for fiscal year 1966 and 1967 are shown in the following table:

(The table referred to follows:)

Estimated revenue increase under H.R. 12752 for the fiscal years 1966 and 1967

[In millions of dollars]

	Fiscal year 1966	Fiscal year 1967
Excises:		
Communications.....		785
Automobiles.....	60	420
Total excises.....	60	1,205
Corporate speedup.....	1,000	3,200
Graduating withholding.....	95	1,210
Increase in declaration requirement under individual income tax from 70 to 80 percent.....		150
Total, administrative budget.....	1,155	4,765
Self-employment social security tax, quarterly payments (goes into a trust fund).....		200
Total, cash budget.....	1,155	4,965

¹ Prior to the House floor amendment, the gain in fiscal year 1967 from graduated withholding was \$275,000,000; the total administrative budget was \$4,830,000,000; and the total cash budget was \$5,030,000,000. The floor amendment reduced each figure by \$65,000,000.

Secretary FOWLER. I will not recite all the figures, except to indicate that, in total, there will be an addition of \$1,155 million to both the administrative and cash budgeting receipts in fiscal year 1966.

Senator LONG. Would you pause there just a moment, Mr. Secretary, while the committee digests that chart?

Some of us want to study that a little bit.

I think Senator Williams was perhaps right, Mr. Secretary, your statement is so thought provoking, I think it might be well for you to go ahead and read the remainder of it.

Secretary FOWLER. Thank you, Mr. Chairman.

To complete my comment on the table, the proposals would add, as you see in the last column, \$4,765 million to administrative budget receipts in fiscal 1967. In addition, the bill would add an additional \$200 million to cash budget receipts in fiscal 1967, for total cash budget receipts of \$4,965 million.

Now, I would like to turn to the individual items contained in the bill before you, H.R. 12752.

EXCISE TAXES

H.R. 12752 would restore promptly the 7-percent rate of the manufacturers excise tax on automobiles, which was reduced to 6 percent on January 1, 1966, and the 10-percent tax rate on local and long-distance telephone and teletypewriter service, which fell to 3 percent the same date. The automobile tax would be restored on the day after enactment, and the telephone tax would be restored for bills rendered on and after the first day of the first month beginning more than 15 days after the legislation is enacted. Those pre-January 1 rates would remain in effect until April 1, 1968, when they would revert to the level that would prevail at that time under present law, that is, 2 percent on the automobile tax and 1 percent on the telephone tax.

The question arises naturally, why are the rates restored on these two excises only? Why not restore some of the taxes that were repealed last June or last December?

Part of the answer to this question is that in the Excise Tax Reduction Act of 1965 it was recognized that these two taxes involved such large amounts of revenue that their ultimate reduction had to be scheduled gradually in the light of economic and budget conditions. Another way of saying the same thing is to point out that a large number of excise taxes would have to be restored to match the revenue involved in the continuation of the automobile and telephone excises.

Another reason for this particular excise tax program is that the restoring of taxes that have been completely repealed in contrast to continuing taxes still being levied would impose substantial compliance and administrative burdens. The whole series of accounting and reporting procedures associated with payment of the taxes which disappeared when the taxes were repealed would have to be reconstituted. With regard to the automobile and telephone taxes, however, only a change in rate is involved—not a restoration of an entire tax. No additional accounting and reporting are involved, and there is no reintroduction of the compliance and administrative difficulties involved in the various smaller taxes. Nor is there a reintroduction of all the competitive and other distortions that were involved in the various selective excise taxes that were repealed in 1965.

In fiscal year 1967, the increase in revenues would be \$420 million from the automobile tax and \$785 million from the telephone tax, a total of \$1.2 billion.

A floor stocks tax of 1 percent would be imposed on all new automobiles held in stock by dealers or distributors on the day the 7-percent rate becomes effective. Under the bill, this tax is to be paid by the dealer, but it is to be collected by the manufacturer and paid over by it to the Treasury. This procedure, which parallels that for the floor stocks refunds under this tax, was chosen in the House bill to assure that the dealers will have the correct information as to the tax base for the cars affected.

If the legislation is enacted by March 15, 1966, excise tax revenue in fiscal year 1966 would be increased by \$60 million, all of which would come from the automobile tax. There are, as you realize, lags between the time the taxes are collected and when they are paid into the Treasury.

The increase in cash payments by consumers reflecting these tax changes in calendar year 1966 would be \$200 million from the automobile tax and \$570 million from the telephone tax.

The bill differs somewhat from the administration recommendations as to the period after 1967. We had proposed that the whole schedule of automatic reductions of the automobile and telephone taxes beginning with the January 1, 1966, reductions be moved later by 2 years so that the reductions previously scheduled for January 1, 1966, through January 1, 1969, would take place instead from January 1, 1968, to January 1, 1971.

Under H.R. 12752, the restored rates would be carried to April 1, 1968, and then the rates would revert to the level that they would have been on that date under present law, that is, 2 percent on the automobile tax and 1 percent on the telephone tax. The final reduction of these taxes to 1 percent and zero, respectively, would take place on January 1, 1969. H.R. 12752 would provide as much revenue from the excise provisions as the administration proposal in fiscal years 1966 and 1967, just slightly more in fiscal year 1968, and less in fiscal years 1969 and 1970. We have no objection to the method of treatment in H.R. 12752 for these excise tax rates on automobiles and telephones after the temporary postponement period is ended.

GRADUATED WITHHOLDING

A most important part of the administration program as well as H.R. 12752 is the provision for graduated withholding.

In evaluating these withholding changes, it is important to note that a very substantial proportion of our citizens regard a pay-as-you-go tax system as a convenience, not as a penalty. Further, I believe, since the withholding system cannot be perfect, most taxpayers prefer some overwithholding with a refund on April 15 to underwithholding, which means a final tax bill due in April.

Many wage and salary earners, for example, voluntarily understate the number of exemptions to which they are entitled for withholding purposes in order to have their withholding more closely approximate their tax liability or even to result in overwithholding. A withholding system should not, of course, seek to create unnecessary overwithholding. But as a practical matter, taxpayers with the same amount of wages will very often differ in other respects. A withholding rate that would cause overwithholding for one taxpayer would therefore underwithhold on the other. Thus a taxpayer might have income from nonwage sources that is not subject to withholding; or have actual deductions that are more or less than the assumption used in the withholding system; or the taxpayer may not be employed continuously during the year. All of these factors—and others—affect the amount of his final tax liability and thus the relationship between the amounts withheld and that liability.

Under the present law, a flat 14 percent of an employee's earnings is withheld for income tax purposes, while final tax liability is computed under a series of graduated rates. Consequently, many taxpayers are faced with large, and frequently unanticipated, unpaid tax liabilities at the end of the year. The burden to taxpayers of these year-end

payments, as well as the collection problems imposed on the Internal Revenue Service, warrants a system of withholding from wages on a graduated basis that will more effectively synchronize withholding with actual tax liability.

Moreover, the present withholding system takes into account the 10-percent standard deduction, but not the minimum standard deduction added by the Revenue Act of 1964. This omission results in overwithholding for many low-income employees. Additional overwithholding occurs under the present system for single employees with taxable incomes of less than \$2,000 and married employees with taxable incomes of less than \$4,000. This results from the use of a flat withholding rate which is an average of the rates for the first four income tax brackets, adjusted for the 10-percent standard deduction.

The basic graduated withholding system in H.R. 12752 is designed to minimize these problems.

(1) First, in place of the present flat 14-percent withholding rate, the proposed system would provide for withholding at six graduated rates ranging from 14 percent to 30 percent. This would closely relate the amount of withheld tax with the actual tax due for single people with taxable income up to \$12,000 and for married couples with taxable income up to \$24,000, whose deductions are approximately 10 percent of income. For people above this income level with deductions of approximately 10 percent of income, withheld and actual taxes would be more closely related than under the present system.

(2) Second, the minimum standard deduction would be reflected in the new withholding system through an increase to \$700 in the value of the personal exemptions for withholding purposes, and through a zero withholding rate on \$200 of wages on an annual basis. This change would appreciably reduce overwithholding for those employees who use the minimum standard deduction. The use of the minimum standard deduction in combination with graduated rates would also eliminate the overwithholding that presently exists in the first four income tax brackets.

The six-rate graduated system, proposed in the administration program and adopted in H.R. 12752, is designed to produce the correct amount of withholding for an individual whose deductions were either the standard deduction, including the minimum standard deduction, or 10 percent of his wage income, whichever was the larger, who had no nonwage income, and who worked a full year. If a taxpayer has no nonwage income, and has itemized deductions in excess of the standard deduction or 10 percent of his wage income, it is quite likely that there would be some overwithholding under the administration proposal.

While modest overwithholding is not a significant hardship for the wage or salary earner, there could be cases of large overwithholding both under present law and under the basic graduated withholding system. The basic graduated system by itself would in many cases tend to aggravate the situations of large overwithholding. For this reason, a provision was added to the bill in the Ways and Means Committee that would make it possible for individuals, who would expect to be overwithheld due to high itemized deductions, to avoid or minimize large overwithholding by claiming additional withholding allow-

ances. The withholding system heretofore has permitted each taxpayer to declare to his employer the number of income tax exemptions to which he is entitled, for himself and his dependents. These are taken into account in the graduated withholding formula and in the withholding tables, through permitting the taxpayer to earn free of withholding \$700 (on an annual basis) for each exemption to which he is entitled. H.R. 12752 would simply expand this technique to deal with employees with high itemized deductions by affording additional withholding allowances (in \$700 multiples) because of those deductions.

Specifically, H.R. 12752 permits the taxpayer to state his estimated deductions for the current year. These cannot exceed his actual itemized deductions for the previous year. He can also put down his estimated salary or wages for the current year, which cannot be less than his salary or wages for the previous year. These ceiling and floor limitations are necessary to prevent serious abuse of the new allowance. H.R. 12752 then allows the taxpayer to compute his excess deductions, that is, his deductions in excess of a base line which is made up of 12 percent of the first \$7,500 of his salary or wages and 17 percent of the balance. The taxpayer is given an additional withholding allowance for each full \$700 by which the excess deductions exceed the base line. Under an amendment added on the House floor, the taxpayer would be allowed the first additional withholding allowance if his excess deductions were equal to at least \$350.

As respects the operation of this additional allowance system, the employer would treat these claims for additional withholding allowances in exactly the same way as a claim for additional exemptions, so basically the procedure will not complicate the withholding system for employers. So far as employees are concerned, the provision for extra withholding allowances does involve some complication. It is, of course, optional with the employee whether or not he wants to claim an additional allowance. But an option itself is a complexity since a taxpayer may feel he ought to find out what it is before he decides whether or not to use it. Because of this complexity, it is the course of wisdom to use this technique initially to deal only with the relatively large overwithholding situations. This is the reason for the particular decision in H.R. 12752 to measure excess deductions over a base line which is higher than the 10 percent of deductions built into the withholding system. We believe that the basic technique of additional allowances which the Ways and Means Committee adopted is appropriate to moderate overwithholding where it may be too large. However, there are problems associated with the variation in that technique introduced by a committee floor amendment which we will be glad to discuss in your technical sessions. That variation involves added complexity, and also produces underwithholding in some situations.

The additional allowance system would be applicable for the first time in 1967. Taxpayers would file claims for additional withholding allowances with their employers on the basis of their estimates for 1967 and their actual tax returns for 1966. The new withholding allowances would go into effect in the spring of 1967. Thereafter the taxpayer would continue to use the additional withholding al-

lowance until May 1, 1968, although it could be terminated at his option earlier. The taxpayer could file another claim for additional withholding allowances on the basis of his 1967 return, which would take effect May 1, 1968.

This timing is necessary in order to develop the required forms and to provide the necessary information program, so that people will know how to operate the system. Also important is the fact that graduated withholding would start only in May of this year and hence overall overwithholding will not be as significant in 1966 as it would be if the six graduated rates were in effect for a full year. The additional allowance provision will thus not affect the expected increase of \$90 million in budget receipts from the introduction of graduated withholding as proposed in the administration program for fiscal year 1966. It would also have no impact on the calendar year 1966 effect of graduated withholding. Thus it will not reduce the short-term economic impact of the adoption of graduated withholding.

Under the House bill the net increase in budget receipts in the fiscal year 1967 from the adoption of graduated withholding is estimated to be \$210 million. Due to the additional withholding allowance under H.R. 12752, there would be a decline in budget receipts in the fiscal year 1968 estimated at \$290 million.

To describe the economic impact of the whole withholding provision, it is useful to use calendar year totals. In round numbers, the graduated withholding provision in the six-rate system would have involved an increase in withholding on a full-year basis of \$1.2 billion. Because of the date of introduction, the increase in withholding receipts will be only \$0.8 billion in 1966 (although it will be at an annual rate of \$1.2 billion).

In calendar year 1967, the increase in withholding receipts from the six-rate system will be offset by two things: (1) the smaller yearend payments on 1966 returns filed in the spring of 1967 as people take credit for the prior year additional withholding and (2) the beginning of the additional allowance system by May.

INDIVIDUAL ESTIMATED TAX

H.R. 12752 adds a provision, which originated in the Ways and Means Committee, which would modify the monetary penalty provision with respect to payments of individual estimated tax on declarations. Under present law, a taxpayer who is required to file a declaration of estimated tax is subject to a monetary penalty of 6 percent per annum for underpayment of estimated tax unless his estimated tax meets one of five alternative tests. Three of the tests remain unchanged. These are that the estimated tax must be at least as high as the tax paid last year or at least as high as the tax that would be paid on the basis of last year's income and this year's tax rates or at least 90 percent of the tax liability based on the actual taxable income to date. If the taxpayer does not meet these tests with his estimated tax, he may under present law still avoid the penalty if his estimate is at least 70 percent of his final tax liability or 70 percent of the tax liability that would emerge if he annualized the income that he has

earned to date. Annualizing means multiplying the income of the first quarter by 4, or multiplying the income of the first half year by 2, or multiplying the income of the first three-quarters by $1\frac{1}{3}$.

Under H.R. 12752, the 70-percent provision, which relates to the actual tax liability or the annualized tax liability, is changed to 80 percent. The requirement was originally set in 1943 at 80 percent and was reduced to 70 percent in 1954. At a time when we are, by graduated withholding, making most wage earners more current with respect to their payment of tax liability, it is reasonable to ask that people with nonwage income also pay an estimated tax which is closer to their final tax liability.

The 80-percent requirement on estimates of individual tax would come into effect with respect to estimates filed in the calendar year 1967. It is expected that this would increase budgetary receipts in fiscal year 1967 by \$150 million and in fiscal year 1968 by \$150 million.

CORPORATE ACCELERATION OF CURRENT TAXPAYMENTS

The provision for acceleration of corporate taxpayments is the same in H.R. 12752 as it was proposed by the administration. This change would leave the basic tax liability unchanged.

Under present law, by 1970, corporations will pay, with respect to their estimated tax in excess of \$100,000, quarterly payments of 25 percent in April, June, September, and December.

In 1963, these corporations paid during the current year only two quarterly payments, those in September and December. The Revenue Act of 1964 required these corporations to begin to make quarterly payments on a current basis in April and June. These April and June payments were scheduled to increase gradually up to the 25-percent level in 1970. At present they must be 9 percent each in 1966 and 14 percent each in 1967. Under H.R. 12752 these figures would be raised to 12 percent in 1966 and to the permanent level of 25 percent in 1967.

The only change from present law is in the timing of the additional payments. If, in 1971, a corporation reviewed its financial experience, it would find that its payments of taxes in that year were exactly the same as they would have been if the current proposal for speeding up the acceleration had not been adopted. If it added up all of its corporate taxpayments from 1964 through 1970, it would still find that the total of those payments was exactly the same as it would have been under present law.

At a time when we are close to full employment and full utilization of capacity, a sizable Federal budget deficit could have inflationary implications. For this reason, it is desirable to absorb some of the additional liquidity in the economic system that could otherwise be used in bidding up the prices of capital goods. We believe that our proposed speedup of corporate tax payments would remove some of this excess business purchasing power.

In recent years, corporations have reduced their holdings of liquid assets relative to current liabilities. An accelerated payments requirement would make some corporations reexamine their expenditure plans. They might give second thoughts to some marginal investment projects, deferment of which might ease pressures on costs and prices

today and, incidentally, leave more investment possibilities for the future when the expenditures could be more easily accommodated. The tightness in the credit markets that already exists would reinforce the effectiveness on business expenditures of the accelerated payment proposal.

This proposal on corporate taxpayments would increase budget receipts in fiscal year 1966 by \$1 billion and, in fiscal year 1967, by \$3.2 billion. It would increase total taxpayments in calendar year 1966 by \$1.1 billion (including fiscal year corporations).

SELF-EMPLOYMENT TAXES

To round out the program to make taxpaying more current, H.R. 12752 provides that social security taxes of the self-employed be paid on an estimated basis.

The present law requires a self-employed individual to estimate and make quarterly installment payments of his income tax if the estimated tax is at least \$40. There is no logic in applying this requirement only to income taxes and not to self-employment taxes.

Under present law, however, for a self-employed individual, the requirement for current payment bears only on the part of his end-of-the-year tax liabilities represented by the income tax. In some cases this income tax liability may be only a small part of the final total liability for income and self-employment taxes; in others it may be a large part. Since the taxes relate to the same type of income, it would be appropriate for the entire liability to be subject to the same requirement of estimated payment.

The estimated tax system would have the double purpose of making taxpayment more convenient for individuals and providing some equality between people with nonwage income and people with wage income who are subject to withholding. Since employee social security taxes are withheld, it is appropriate to include the self-employment tax in the estimated tax base.

In a tentative General Accounting Office report recently submitted for Treasury Department comments, the GAO recommended an identical proposal. We understand that the GAO will issue a formal report shortly which includes this recommendation.

H.R. 12752 provides that the requirement for current payment of self-employment tax would come into operation in 1967, starting April 15.

Under H.R. 12752, this provision would increase revenue collections in fiscal year 1967 by \$200 million. Under the original proposal, which would have commenced the current payment system on June 15 of this year, this increase would have occurred as follows: \$100 million in fiscal year 1966 and \$100 million in fiscal year 1967.

We will develop a procedure for crediting the estimated quarterly declaration payments of self-employment tax to the social security trust fund as these payments come into the Treasury. For this reason the provision will affect only cash budget receipts and not administrative budget receipts. Under H.R. 12752, these increased payments would be \$300 million in calendar year 1967—\$400 million if the January 15, 1968, payment is included.

CONCLUSION

The particular measures involved in H.R. 12752 are designed to have minimum long-range impact on tax burdens and to achieve desirable structural changes. They are appropriate to the fiscal problem at hand. They deal almost entirely with matters on which there has been study in the past. I am hopeful that they may be acted upon promptly.

Senator LONG. Thank you, Mr. Secretary.

I will ask the staff to keep time on me, as well as on all other Senators.

Senator SMATHERS. What do you mean, "keep"?

Senator LONG. I propose that each Senator be limited to 10 minutes during the first round of questions and, thereafter, I would impose no limit on Senators, feeling that it would probably not be necessary thereafter.

Mr. Secretary, what is the relative weight that you place on these two objectives which are (1) to balance the budget, and (2) to resist inflation?

Do you give them equal importance, or is one more significant than the other?

Secretary FOWLER. The more significant one is that this bill moves the budget toward a balanced condition. We also try, through this particular bill, to pay for the additional costs of the conflict in South Vietnam.

In doing this there is a moderate movement in the direction of moderate restraint from a posture of budgetary stimulation. This is appropriate to the time in which we find ourselves—with unemployment at its lowest level, and the utilization of plant capacity at its highest level, in many years.

Senator LONG. Well, we have about 4 percent unemployed right now. I just wondered if you feel that now is the time in which to begin to step hard on the brakes of economic expansion.

Secretary FOWLER. I certainly do not feel this is the time to step hard on the brakes. I think we should continue to try to achieve a mix of fiscal and monetary policy that will permit, in particular, continued attacks on structural unemployment. In this effort the job creating potential of the private sector that come out of the job training activities of private companies should be correlated with the manpower retraining and job training efforts of the Federal Government.

Senator LONG. Now, you speak of fiscal policy—that is, tax policy—as being a very fine weapon to achieve economic objectives, both in balancing the budget and in resisting inflationary pressures.

Before you were able to bring this message down here, the Federal Reserve moved ahead of you and proceeded to use what they regarded as economic policy to raise interest rates.

Now, what is that going to do to your budget in fiscal 1967—this one-half of 1 percent increase in interest rates they gifted us with?

Secretary FOWLER. The first and most immediate effect will be to increase the cost of carrying the public debt. The increase in the estimate of interest charges contained in the budget message of the

President reflects to some degree increased interest rates that the Government will have to pay for the money it borrows.

Senator LONG. What will that mean in fiscal 1967?

Secretary FOWLER. Actual interest charges in fiscal 1965 were \$11.4 billion. The estimate for fiscal 1966 is \$12.1 billion. The estimate for the fiscal year 1967 is \$12.9 billion.

Senator McCARTHY. Mr. Chairman, may I ask at this point—how much of this is the result of an increase in debt and how much is a consequence of the increase in the interest rates?

Secretary FOWLER. Some minor portion of it is the result of the increase in debt. But the preponderant portion of it is due to the increase in the cost of money.

Senator LONG. About 10 percent of it being an increase in the cost of debt, or 5 percent—would it be nearer 5 than 10?

Secretary FOWLER. I would prefer to give you an exact calculation, Mr. Chairman.

Senator LONG. I wish you would provide it for the record.

(The information follows:)

That part of the interest estimate reflecting interest on the public debt was \$12 billion for 1966 and \$12.750 billion for 1967. Of the \$750 million difference between 1966 and 1967, \$550 million is attributable to higher rates to be paid in 1967 than in 1966 and \$200 million is attributable to more debt in 1967 than in 1966. Not all of the higher costs in 1967 over 1966 due to higher rates are attributable to the December 6 increase in the Federal Reserve rediscount rate; a large share of the increase is due to the general rise in rates before the rediscount rate increase and the necessity of refinancing debt issued at much lower rates. And not all of the increased interest cost for 1967 over 1966 due to more debt is attributable to the 1967 deficit; the larger part of it is due to the 1966 deficit.

Senator LONG. Now, this works out to be a bigger item than those you mentioned. That works out to be about \$1.4 billion of additional expenditure that we are going to have to pay because of what the Federal Reserve Board has been able to do for us.

Secretary FOWLER. Mr. Chairman, I should say that interest rates were going up—

Senator LONG. May I just modify my statement. I said what they have been able to do for us. I mean what they have been able to do to us.

Secretary FOWLER. I would like also to note that interest rates were going up. Some part of the amount we have labeled as additional cost of money is undoubtedly due to the market forces that existed prior to December 6. I have not made a breakdown of the increase in the cost of carrying the debt on the basis of interest rates before and after December 6. The figures I have given you reflect the impact of rate changes over both periods.

Senator LONG. The Federal Reserve Board does not have control over the demand for money, but they do have pretty effective control over the supply of it, do they not?

Secretary FOWLER. That is true.

Senator LONG. Now, from the hearings we had on the fiscal policy back 7 or 8 years ago, I once had the naive impression that when a large corporation paid interest charges that they were taking it on the chin just like a poor man when he buys something on installment. But I have subsequently realized that when these large concerns and most

rich people pay interest, they are soon passing it on to the little fellow on down the line. As a matter of fact, most of my close banker friends have advised me that they are now adjusting their affairs so that when they have to pay more for money, they can pass it on to the little fellow. Isn't that correct—when you impose higher interest rates on the major corporations, their competitor has the same problem, and both of them put that in their cost of business, and add that to the cost of the product that the public buys?

Secretary FOWLER. The cost of money is just like any other cost.

It enters into the cost of the finished product just like many of the other things—like taxes—that we do not normally think of as being additions to material or labor costs.

The low cost of money is like the low cost of any material or facility—and is important to a business.

Senator LONG. Isn't it somewhat like the social security tax? We like to think of an employer as paying social security tax, but that is a cost he bears. His competitor has the same cost. When we raise that tax and they pay it, they simply add it to the cost of the product, and pass it on to the consumer of the product.

Secretary FOWLER. To the extent they can pass it on, that is perfectly true.

Senator LONG. As a practical matter, aren't those who succeed in staying in business passing it on?

Secretary FOWLER. I think that could generally be so.

Senator LONG. Well, now, the point that occurs to me is that against a public and private debt of \$1.4 trillion, an increase in interest rates of one-half of 1 percent when passed on, means about a \$7 billion tax on the rank and file for the benefit of those who are in a position to invest.

Now, as between the two methods, which, in your judgment, would be better—for us to tax it away from people, with a direct tax, or to let the Federal Reserve tax it away for the benefit of those who are benefiting from these high interest rates?

Secretary FOWLER. Well, Mr. Chairman, I think that in dealing with problems of excess demand, both fiscal and monetary policies, have their value. I would not want to be in the position of excluding recourse to either one.

Once you have reached the decision that some restraint is desirable to moderate the rate of expansion, I do not believe you should preclude recourse to either monetary or fiscal policy. Some mix of both of them is probably the desirable thing to do.

Senator LONG. Well, Mr. Secretary, one of the first actions of this committee was to agree that we would go along with an increase in veterans benefits which exceeded the President's recommendation.

Now, if the Congress is going to vote more spending than the administration recommends—and we have already started along that line—would you have any objection if we put more revenue in this bill than you are asking for?

Secretary FOWLER. I would hope that the Congress would exercise a sense of priorities in the appropriation process this year. I hope the ultimate balance will come out pretty close to the totals reflected in the President's budget when a balance is drawn reflecting congressional

action in reducing some proposals of the Executive and in increasing others.

I don't know whether that is a vain hope or not. But if it is a vain hope, and Congress adds very substantially to the expenditure totals that were submitted in the budget, then we will have to look for additional revenue—just as the President indicated in his budget message, and I quote—

If, on the other hand, events in southeast Asia so develop that additional funds are required, I will not hesitate to request the necessary sums. And should that contingency arise, or should unforeseen inflationary pressures develop, I will propose such fiscal actions as are appropriate to maintain economic stability.

Senator LONG. My time has expired, Mr. Secretary.

Senator SMATHERS.

Senator SMATHERS. Mr. Secretary, first I would like to commend you for the manner in which you have been handling your very difficult job, meeting the challenges as they arise.

It seems to me that you have met each one that has arisen with great fortitude and great dexterity and great accomplishment except one—and it seems to me the last one occurred the other day when you were asked by Carol Channing to do the frug—it seemed to me you should have responded to her more appropriately by saying, "I will accept if you will do the Charleston."

Secretary FOWLER. It was the Charleston. The press modernized my step.

Senator SMATHERS. From the picture, it looked as though one of you was doing one and one the other.

Mr. Secretary, how do you describe at the moment the state of our economy with respect to inflation? Are we in it, are we on the edge of it, are we approaching it, or are we not concerned about it?

Secretary FOWLER. There is, of course, a great difference of opinion about the relationship of the economy to inflation which grows out of a difference in the definition of the term "inflation."

My own view is that the economy is not in a condition that I would define as inflation. However, I can readily see that there would be room for argument with persons who had a different definition of inflation.

I am very much concerned and disturbed—and I think the President is concerned and disturbed, as his economic message and other utterances have reflected—that in the last year there has been a move away from the almost unparalleled record of price stability which characterized the American economy since 1958.

While the recent increases in the wholesale price and the consumer price indexes are not of a magnitude or duration that I would characterize as inflation, they are nonetheless a sufficient departure from the previous pattern to put us all on notice that we should watch them very carefully and try to modify the policy mix to the moderate type of expansion that we have had for the last 5 years.

However, I would not characterize what we have today as inflation.

Senator SMATHERS. Last night's Evening Star had an article by Sylvia Porter with respect to the Consumer Price Index in which she

stated in effect that 2 percent annual rise was totally acceptable and proper in a dynamic economy such as ours, but 3 percent reached the danger line, and 4 percent was totally unacceptable.

Do you have or does the administration have a precise figure which, if reached, would indicate that we are in an inflationary period and that additional action would be taken or should be recommended by you?

Secretary FOWLER. No, Senator; there is no precise figure. I think there are two elements involved. One is the sharpness of the increase in the price level and the other is the duration. For example, you could have a fairly sharp increase for a short time that might be a statistical aberration or the result of some crop failure or something of that sort. Both elements enter in, the sharpness of the rise—and the causes of the rise as they are analyzed—and whether they are temporary or promise to have an effect over a long period of time.

Senator SMATHERS. Do you consider the increase in prime interest rates which Federal Reserve put into effect on December 6—do you consider that as having an inflationary or deflationary effect upon the overall economy?

Secretary FOWLER. It is too early to determine its overall effect since it usually takes about 6 to 9 months for a move like that to really have its full effect.

I would judge its effect, when fully realized, would probably be deflationary.

Senator SMATHERS. You would think it would be deflationary. Certainly that was intended.

Secretary FOWLER. That was the intent and its stated purpose.

Senator SMATHERS. Isn't it a fact that the Consumer Price Index in December rose to 111 percent above the 1957-59 average, up 2 percent from December 1964? That is the biggest calendar rise in 7 years.

Now, hasn't there been a recent sufficiently significant rise in the business inventory accumulations that reasonable men might conclude that we need to take additional steps other than those which have thus far been recommended by the administration in order to combat inflation?

Secretary FOWLER. I do not believe that the rise in inventory has been that disturbing, Senator, although in the fourth quarter last year there was a fairly substantial rise. I have had my staff prepare, and I would like to submit it for the record if you don't mind, an analysis of the relationship of inventory levels today to sales levels.

(The following material was submitted for the record:)

THE FOURTH QUARTER 1965 INVENTORY SITUATION

A sizable increase in business inventories at the close of 1965 has attracted attention to inventory behavior as a potential disturbance to balanced growth in the economy. The book value of business inventories (manufacturing and trade) rose \$2.7 billion in the fourth quarter of 1965, compared with \$2 billion in each of the two preceding quarters. Each 1965 quarter registered a larger rise in total business inventories than in the corresponding 1964 quarter, as shown in table 1. This sharper 1965 growth also has characterized most components of manufacturing and trade inventories—with the major exception of durable goods manufacturing where the special factor of steel liquidation limited the advance.

Despite the heavier accumulation of inventories in the fourth quarter of 1965, however, little evidence exists of any general distortion in the relationship of

stocks to production and sales requirements. The downtrend in the overall business stock-sales ratio in the current expansion extended into the fourth quarter of 1965. As shown in table 2, the business inventory-sales ratio at 1.44 compared with 1.45 a year earlier and 1.50 in December 1963. Both in overall manufacturing and in trade, these ratios at the close of 1965 were equal to or lower than a year earlier.

The major exception to this pattern emerged in durable goods manufacturing where the stock-sales ratio among these industries averaged 1.91 in December 1965, compared with 1.87 a year earlier. The significance of the recent higher ratio is uncertain because it reflected increases in goods-in-process inventories—rather than higher purchased materials or finished goods stocks. This rise in goods-in-process stocks may merely reflect increased work on defense goods involving long leadtimes. Developments in this and other inventory areas obviously must be followed very closely in the period ahead.

TABLE 1.—*Changes in business inventories, 1964 and 1965*

[Billions of dollars, seasonally adjusted]

	Change during quarter ending—							
	March 1964	June 1964	Sep- tember 1964	Decem- ber 1964	March 1965	June 1965	Sep- tember 1965	Decem- ber 1965
Manufacturing and trade.....	0.9	1.2	1.2	2.0	2.5	2.0	1.9	2.7
Manufacturing, total.....	.2	.1	.6	1.9	.8	.9	1.6	1.6
Durable goods industries.....	.1	.4	.5	1.4	.6	1.0	1.3	.9
Nondurable goods industries.....	.1	-.3	.1	.6	.2	-.1	.3	.7
Retail trade, total.....	.6	.8	.4	-.1	1.1	.8	0	.9
Merchant wholesalers, total.....	.1	.3	.2	.2	.6	.3	.2	.2

TABLE 2.—*Manufacturing and trade stock-sales ratios*

	December—				
	1961	1962	1963	1964	1965
Manufacturing and trade.....	1.50	1.53	1.50	1.45	1.44
Manufacturing.....	1.69	1.75	1.67	1.60	1.60
Durable goods.....	1.95	2.05	1.95	1.87	1.91
Nondurable goods.....	1.41	1.45	1.37	1.31	1.27
Retail trade.....	1.39	1.38	1.40	1.37	1.35
Wholesale trade.....	1.19	1.19	1.20	1.16	1.16

Source: Office of the Secretary, Office of Financial Analysis, Feb. 28, 1966.

Secretary FOWLER. If you look at it in those terms, taking into account the increased volume of business that is being done as against the levels of inventory, you find that during the past 3 or 4 years, and right up to the present, there has been on a fairly regular relationship. So the larger inventories when related to larger sales do not as yet disturb me.

However, your question is very well taken because any tendency toward rapidly increasing inventories out of relation to the volume of business would be a disturbing sign.

Senator SMATHERS. In this matter of meeting the twin problems of inflation on the one hand and paying for the increased expenditures in

Vietnam on the other, why didn't you consider recommending the elimination of the investment tax credit?

Secretary FOWLER. We did consider the question of the investment tax credit at some length back in December. As a matter of fact, we considered the whole range of tax measures that might have been employed under the circumstances to raise revenue. This question of the investment credit came up in the House Ways and Means Committee hearings and I dealt with it at length there. I will try to deal with it in a summary fashion here.

There were three principal reasons why we rejected suspension or repeal of the investment credit.

First, we feel the investment credit is a sound, long-range measure in that its basic purpose was to produce an incentive to increase productive capacity. An increase of productive capacity, and an increase in supply, is one of the best answers to increased demand or inflationary tendencies.

Secondly, we felt the investment credit will induce more efficient processes resulting in an increase in the rate of productivity. This will not only produce overall efficiency to the system, but it will also enable us to provide regular wage increases that are characteristic of our system without inducing price increases that might undermine our competitive position in dealing with our balance of payments.

For those two long-range reasons, we felt a retention of the investment credit was desirable.

Looking at the investment credit on a short-term basis, we felt that suspension or repeal of it was not particularly useful as a short-term restraint. The credit, as you will remember, becomes available when a project is completed. Therefore, if Congress moved to suspend or eliminate it, in good faith and fairness it would have to make some exception for projects that have been initiated in reliance of the availability of the investment credit.

Therefore, the impact in terms of revenue, assuming provision would be made to exempt those projects already underway, would be very much delayed. Moreover, the impact in terms of current activity would not be nearly as great as one would anticipate and it would probably hit us some time next year or so rather than today.

Senator SMATHERS. Mr. Secretary, my time is up.

Senator LONG. Senator Williams.

Senator WILLIAMS. Mr. Secretary, in reference to your earlier discussion with the Senator from Louisiana about the interest rates, when did Mr. Martin make his decision of raising the prime rate?

Secretary FOWLER. Of course, the prime rate is a private decision by the banks. The rediscount rate, which I think your question refers, was a decision made by the Federal Reserve Board on Friday, December 3.

Senator WILLIAMS. December of last year.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. Do you agree with that decision or do you disagree with it?

Secretary FOWLER. Well, I don't think it is necessary for me to either agree or disagree with it, Senator Williams. We have accepted that as a fact of life. We developed a budgetary program, and we developed the tax program that is in front of you, accepting the in-

crease in the rediscount rate as a part of the general atmosphere. In no sense are we here today to pass further judgment on that particular matter.

I think you are aware that at that time I publicly stated—as I had privately stated to Chairman Martin and had publicly stated, stated in advance of the action, for example in an address I made on November 30—that I thought it was premature and unwise for the Board to act until all the facts concerning the new budget were collected and available so that decisions could then be made as to what would be the most appropriate mix of fiscal and monetary action. With the full facts about the new budget and the military situation, implicit in it, the proper mix of the fiscal and monetary natures could be taken together rather than in isolated form.

Senator WILLIAMS. Those facts are all before you now.

Secretary FOWLER. They are before me now.

Senator WILLIAMS. Now, what is your appraisal of the decision?

Secretary FOWLER. I have not determined what particular choice would have been an appropriate one on December 3 or on January 10. That is something that is behind us. As the President said at the ranch when we met with him on the following Monday: "We are not here to have postmortems"; and I do not wish to indulge in one now.

Senator WILLIAMS. I can appreciate that. But since you do not have any recommendations in the light of all the existing facts we would have to assume that had he waited, he would still have acted on his own initiative.

Now, to what extent do you attribute this \$800 million extra interest charge for the next fiscal year to that decision?

Secretary FOWLER. It's very, very difficult, as I said in answer to Senator Long, to separate the causes. Certainly one cause is the large demand for money and credit.

Senator WILLIAMS. Isn't the latter the big cause?

Secretary FOWLER. That's certainly a big cause.

Senator WILLIAMS. And that is here regardless of any decision that may have been made either by the Treasury or the Federal Reserve Board when you had this demand for money.

Secretary FOWLER. I do have with me, and can supply for the record, tables of short-term, medium-term, and long-term interest rate movements, prior to December 3, and after December 3. I think anyone reading those tables can pretty much make his own judgment as to what extent the action of the Federal Reserve Board is responsible for the increased cost of carrying the debt. It is a very hard thing to say.

(The following material was submitted for the record:)

Market rates on Treasury bills and Treasury coupon issues at constant maturities and rates on new corporate and municipal bonds
[In percent]

Date	Treasury bills		Treasury coupon issues						AA corporates bonds, reoffering rate ²		Municipal bonds, 20-bond index ³	
	3-month bills	6-month bills	1 year		3 years		5 years		10 years		20 years	
			Change		Yield		Change		Yield		Change	
	Yield ¹	Yield ¹	Yield	Change	Yield	Change	Yield	Change	Yield	Change	Yield	Change
1965-July 30	3.81	3.89	4.02	+0.04	4.11	+0.05	4.18	+0.02	4.22	+0.03	4.60	-0.02
Aug. 16	3.80	3.92	4.06	+0.07	4.16	+0.05	4.20	+0.02	4.26	+0.04	4.64	+0.04
Aug. 31	3.90	4.00	4.13	+0.04	4.21	+0.05	4.22	+0.02	4.27	+0.01	4.70	+0.06
Sept. 15	3.88	4.04	4.17	+0.04	4.21	+0.00	4.24	+0.02	4.28	+0.01	4.71	+0.01
Sept. 30	4.02	4.19	4.36	+0.19	4.33	+0.12	4.33	+0.09	4.35	+0.07	4.71	+0.00
Oct. 15	4.02	4.19	4.28	+0.08	4.33	+0.00	4.33	+0.00	4.34	+0.01	4.69	-0.02
Oct. 29	4.06	4.19	4.33	+0.05	4.38	+0.05	4.40	+0.07	4.41	+0.03	4.68	-0.01
Nov. 15	4.08	4.25	4.36	+0.03	4.45	+0.07	4.47	+0.04	4.45	+0.04	4.73	+0.05
Nov. 30	4.13	4.26	4.40	+0.04	4.49	+0.04	4.47	+0.03	4.48	+0.03	4.80	+0.07
Dec. 3	4.12	4.26	4.42	+0.02	4.54	+0.05	4.52	+0.05	4.52	+0.04	4.85	+0.05
Dec. 15	4.40	4.57	4.72	+0.31	4.84	+0.30	4.77	+0.25	4.67	+0.15	4.92	+0.07
Dec. 31	4.49	4.67	4.96	+0.24	5.00	+0.16	4.88	+0.11	4.65	-0.02	4.91	-0.01
1966-Jan. 17	4.63	4.75	4.90	+0.06	4.89	-0.11	4.84	-0.04	4.61	-0.04	4.93	+0.02
Jan. 31	4.63	4.73	4.89	-0.01	4.98	-0.09	4.98	-0.14	4.69	+0.08	4.95	+0.02
Feb. 15	4.88	4.88	4.97	+0.08	5.07	+0.09	5.00	+0.02	4.89	+0.20	4.95	+0.03
Feb. 25	4.63	4.84	5.00	+0.03	5.08	+0.01	5.00	+0.00	5.01	+0.12	5.15	+0.12

¹ Bank discount rate.

² Treasury estimate of rate each week.

³ Bond buyer.

Senator WILLIAMS. I was not trying to reactivate the argument. I am just seeking information. I notice your comment, first that interest rates are going to raise about \$800 million next year for all concerned, but I also notice that in fiscal 1963 the interest was approximately an \$800 million increase over fiscal 1962. Again in 1964 interest charges increased about \$800 million over fiscal 1963. Fiscal 1965 jumped \$700 million over fiscal 1964.

Now, these were annual increases that took place prior to this December 1965 decision.

If we attribute to Mr. Martin the responsibility for this one—the 1965 increase—who is responsible for the ones in those years?

Secretary FOWLER. Of course, there have been two previous increases in the discount rate in the years you refer to. The rate went up one-half percent in 1963 and it went up another half percent in 1964 at the time of the British crisis.

I think it is fair to say that both of those decisions were decisions which the administration and Secretary Dillon, my predecessor, fully concurred in at the time.

These decisions, together with the market forces during the years indicated, greatly increased the cost to the Government, particularly of Treasury bills and other short-term issues.

For example, in early June 1963 the 3-month bill yielded 2.99 percent. In the week ending November 27, 1965, prior to the recent Federal Reserve move, the yield was 4.11 percent. On February 19 it was 4.66 percent. And while the increase in rates was much more pronounced in the short-term money field, there was also an increase in long-term rates prior to December 6.

However, there has recently been a significant increase in long-term rates from approximately 4.35 percent on November 27 to 4.65 percent now.

It is very hard to relate the exact cause and effect of the three increases in the rediscount rate over the past 3 years.

Senator WILLIAMS. I appreciate that, but as you pointed out, the first two changes were with the full concurrence of the Department.

And I noticed yesterday you sold some 1-year bonds for 4.95.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. That raises the question: Aren't you in effect monetizing the debt by concentrating all of your refinancing charges now in periods of less than 5 years, due to the fact that you have a 4¼-percent legal ceiling? I am asking what your recommendation is in that connection.

Secretary FOWLER. I expect to have specific comments about that at the time it appears before the Congress in connection with the debt limit legislation. But I have made no decision as of now as to what the nature of those requests will be.

Senator WILLIAMS. Will you be asking for a repeal or raising of this 4¼-percent legal ceiling?

Secretary FOWLER. I have not arrived at any decision on that, Senator.

Senator WILLIAMS. As of the moment, is it handicapping you in the refinancing of your debt?

Secretary FOWLER. As of the moment, taking into account the advance refunding of a few weeks ago, we are in relatively good shape

for this fiscal year. We sold, as you know, an issue maturing in $4\frac{3}{4}$ years. That meant that the debt is roughly at about a 5-year average maturity. We are in no current difficulties that require me to come, as of now, to the Congress for help.

Senator WILLIAMS. During the year 1967, or the fiscal year, how much refunding operation do you have ahead of you? Isn't it about \$80 or \$90 billion over the period that will be maturing in short-term securities and so forth?

Secretary FOWLER. I will give you the exact figures for that. There will be substantial turnover, as there always is each year.

However, with the successful advance refunding of a few weeks ago, we consider our debt management problems for the remainder of this fiscal year, and into the summer, as not terribly pressing.

(The following material was submitted for the record:)

Marketable securities maturing in fiscal year 1967 as of Jan. 31, 1966

[In millions of dollars]

	Total	Held by—	
		Federal Reserve and GIA	All other
CERTIFICATES, NOTES, AND BONDS			
1966—Aug. 15:			
3 percent bond 1.....	699	48	651
4 percent note 1.....	8, 441	5, 875	2, 566
Oct. 1: 1½ percent exchange note.....	357		357
Nov. 15:			
3¾ percent bond.....	1, 851	238	1, 613
4 percent note.....	2, 254	566	1, 688
4¾ percent certificate.....	1, 652	1	1, 651
1967—Feb. 15:			
3¾ percent note.....	2, 358	313	2, 045
4 percent note.....	5, 151	3, 222	1, 929
Apr. 1: 1½ percent exchange note.....	270		270
May 15: 4¼ percent note.....	9, 748	6, 788	2, 960
June 15: 2½ percent bond.....	1, 430	152	1, 278
Subtotal.....	34, 211	17, 203	17, 008
WEEKLY AND ANNUAL BILLS			
3-month bills.....	16, 024	9, 443	44, 614
6-month bills.....	26, 025		
12-month bills.....	12, 008		
Total.....	88, 268	26, 646	61, 622

¹ Adjusted for Feb. 15, 1966, exchanges.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, Feb. 28, 1966.

Senator WILLIAMS. I understand that; but I was raising the question primarily on the 12 months ahead of us. I understand that you would have—

Secretary FOWLER. That is a subject and an area which certainly we are very intensively examining now. I just did not want to be at all premature in my comments I might make here today.

Senator WILLIAMS. My time is about up, and I will pursue this further. I did not want to press you prematurely, but it is a problem with which you are confronted and with which the committee is going to have to deal. I think it is one we should be studying and arriving at a decision before we get caught in an emergency to act perhaps in 24 or 48 hours.

Secretary FOWLER. I would certainly hope to be up here well in advance of any deadline. I fully recognize this question is one of particular difficulty for the Congress.

Senator WILLIAMS. I think my time is up.

Senator LONG. Senator Anderson.

Senator ANDERSON. You read from the President's budget how much this interest increase is going to cost. Was that budget prepared before or after the increase granted by the Federal Reserve Board?

Secretary FOWLER. Prepared after.

Senator ANDERSON. On page 5, Mr. Secretary, you have a lot of figures about increased activities and uncontrollable legislative expenditures—\$740 million for military in excess of the President's recommendation. All these were signed by the President, were they not?

Secretary FOWLER. Yes, indeed.

Senator ANDERSON. To increase \$500 million each—

Secretary FOWLER. That should be one of \$500 million for the space program, and \$462 million for the Commodity Credit program. That is simply the contractual obligation of the Government to pay its bills. The space contractors performed ahead of schedule last year, as you undoubtedly remember, so \$500 million more was owed by the Government to these contractors than had been anticipated.

Senator ANDERSON. I was questioning the two \$500 million in space.

Secretary FOWLER. No; just the one.

Senator ANDERSON. On page 7 you have a figure of corporate speed-up of \$1 billion in fiscal 1966. Does that come off of 1967 revenues?

Secretary FOWLER. Under present law, this years April and June payments for corporations would each be based on 9 percent of 1966 income. Under the proposal, the April and the June payments would be increased to 12 percent.

Senator ANDERSON. Is it on taxes for 1966?

Secretary FOWLER. Yes, sir.

Senator ANDERSON. Then those figures won't be in for 1967, will they?

Secretary FOWLER. They won't have to make their final payments on calendar year 1966 estimates, of course, until 1967. But they follow the same practice they are following under present law, except their estimated payment is to 12 percent rather than 9 percent of the estimated tax.

Senator ANDERSON. I am wondering about this floor amendment in the House. Didn't the bill come out under a closed rule?

Secretary FOWLER. The committee offered the amendment on the floor.

Senator ANDERSON. I don't think I am going to have any detailed questions. I think we all would have felt better if some of these things had been postponed—since I offered a committee amendment to withhold the full reduction on the automobile taxes and others, I am pleased to see you back here again at this time.

Secretary FOWLER. Well, I think, Senator, you will recall that we had reservations on some of the reductions when we were here last year. I think I should state for the record that the President, when he signed the Excise Tax Reduction Act, noted, and I quote him:

"The only major change Congress made was the additional reduction in the automobile tax in later years. I had recommended a 5-point reduction in the tax and Congress decided to increase this to 9 points. But by postponing the additional 4-point reduction, the Congress allowed time for possible modification if future developments should indicate that this should be desirable."

The fact that Congress decided to remove the excises on automobiles and telephones in a graduated manner gives us the option we have today to have a moratorium, as it were, on that elimination.

That's the essence of the bill.

Senator ANDERSON. Thank you.

Senator LONG. Senator Douglas.

Senator DOUGLAS. Mr. Secretary, I think perhaps the immediate proposals that you are making are the least objectionable to the public of any that would be made. But you are effecting a very tenuous balance in the budget. If the war in Vietnam should intensify, as is quite possible, and which if we were greatly provoked I would support within limits, your expenditures will increase. On the other hand most of the increased revenue which you are going to get by speeding up collections are in the nature of a one-shot affair.

Secretary FOWLER. Yes, sir.

Senator DOUGLAS. Once realized, they will not be continued; isn't that true?

Secretary FOWLER. Yes.

Senator DOUGLAS. And so in a sense we are skirmishing now, I think. We have no immediate power to determine what is going to come afterward.

Now, we hear stories in the press that if, as, and when you propose a larger and more permanent increase in revenues, that you are going to favor merely raising vertically the rate of taxation upon incomes and corporate profits.

I hope this is not all that you will recommend because there are tremendous injustices in the existing tax system. Some of us have put in the Congressional Record—and I would like to ask you if our facts are not correct—the fact that in the year 1960 there were approximately 20 individuals in the United States with incomes over \$500,000 a year who did not pay a single cent in taxes.

Secretary FOWLER. I think that is correct, Senator Douglas.

Senator DOUGLAS. Five of these had incomes over \$5 million and paid no taxes, is that correct?

Secretary FOWLER. I think that is correct.

Senator DOUGLAS. That there was one man who had an income of over a million dollars every year from 1948 to 1960 who during that whole period never paid any taxes. Is that correct?

Secretary FOWLER. I think that is correct.

Senator DOUGLAS. And that there was one man with an "economic" income—and I put "economic" in quotation marks—of \$23 million in 1 year, who did not pay a cent in taxes.

Secretary FOWLER. I think those are facts that were supplied for the record.

Senator DOUGLAS. I am glad to have that for the record.

Now, Mr. Secretary, during a period of war we ask for great sacrifices on the part of young men, not only service to their country, but

wounds and death. Unfortunately those of us who vote for that cannot accompany them to danger, generally because of age.

Don't you think that in this period that we should try to cure some of those abuses instead of merely raising the rate for everyone? Do you think people can be asked to give their lives for this country when you have these conditions existing at home?

Secretary FOWLER. Senator Douglas, I would like to break my answer into two parts. One, with reference to this particular bill, this is clearly and designedly a bill designed for quick action and quick acceptance, hopefully.

Senator DOUGLAS. I understand. I intend to vote for this bill. But I do want to raise this issue in advance of the new bill which I am afraid you will have to introduce in the spring.

Secretary FOWLER. Well, as to that possibility—as you know, I remarked at the Joint Economic Committee hearing—I believe you were present—that while we do not feel that additional measures are prompted by the present situation, we do welcome the putting forward of specific proposals which will add to what I have chosen to call contingency planning, in which we are ourselves currently engaged.

Senator DOUGLAS. Well, I want to serve notice here and now that when it comes to a permanent tax bill, I will move to diminish the depletion allowance on gas, oil, and sulfur, and net approximately at least a half billion dollars more in revenue. But also I think the present capital gains provisions are defective in many respects, one of which is that if a person inherits an asset where there has been a large capital gain upon which no tax has been paid—inherits a potential capital gain upon which no tax has been paid by his father or the deceased—if he sells the asset he subsequently pays no capital gains on the original gain. This provision suggests a tremendous amount in lost revenues.

Now, my friend and colleague, Senator Gore, has been crusading for years on stock options and has become, I think, the greatest authority in the Senate on that subject. I won't intrude on his territory, but it's quite possible he may have something to say on the subject of stock options.

I hope that the Treasury, instead of opposing these measures, will help us.

Secretary FOWLER. I am glad to have your comments, Senator Douglas.

Senator ANDERSON. I hope you won't.

Senator SMATHERS. He's trying to pass this bill at this time.

Senator DOUGLAS. Well, we can always put off until tomorrow.

Senator WILLIAMS. Will the Senator yield for a point?

Senator DOUGLAS. No—excuse me, Senator. I want to take some time on other subjects.

Now, on the question of expenditures. This is a time for scrutinizing the expenditure side of the budget in order to reduce the amount to be borrowed which would have to be financed possibly by the creation of bank credit with a resultant inflation.

The Postal Department is really operating at a deficit of \$750 million a year. This may go to a billion dollars. The deficit is not on first-class mail which yields a surplus—the deficit is on second-class

mail—newspapers and magazines, who denounce subsidies and deficits, but are themselves the recipients of one of the largest subsidy. I want to exempt from this a newspaper which has not been amongst my warmest admirers, the Chicago Tribune, because hitherto they have supported me in this measure, almost uniquely.

But there is a deficit of at least \$350 million on second-class matter, a deficit of an equal amount on third-class matter, which is called junk mail, used by the direct mail advertisers, who meeting in advertising clubs denounce subsidies and Government deficits. And there is a deficit, I understand, of around \$125 million in its failure to increase parcel-post rates.

Now, it seems to me that these advocates of a balanced budget and opponents of subsidies should come forward with an offer to have their rates increased to reduce the deficit, particularly in a time of national emergency.

Secretary FOWLER. The observation I would make is that the word "priorities" has a different meaning to different people.

Senator DOUGLAS. Priority is always somebody else.

Secretary FOWLER. I have, of course, encountered a great deal of comment about some of the measures in the President's budget. Most of the time I have listened to my colleagues, the Director of the Budget, try to answer questions dealing with—why did you cut down on item 1, 2, 3, and 4, and why did you increase item 5, 6, 7, and 8? This was an exercise of a judgment on the part of the President as to where the national priorities are.

Senator DOUGLAS. I understand. But if an increase in postal rates is proposed, won't you be asked to testify on that?

Secretary FOWLER. According to the budget message, expenditures for postal service in fiscal year 1967 are estimated to exceed postal revenues by an estimated \$755 million.

Senator DOUGLAS. I was only \$5 million off. As a matter of fact, I think it would be nearer a billion dollars—because there are a lot of items charged as public services which are really private benefits.

Secretary FOWLER. I will be glad to relay this to the Director of the Budget and the Postmaster General.

Senator DOUGLAS. I would like your moral support.

Now, there is another item—I seem to be in a minority on this also. But I think it should be considered. We are spending \$5 billion a year, we have already spent well over \$20 billion in an effort to put a man on the moon. I have never seen any scientist who could argue convincingly that there was any real scientific value to putting a man on the moon and getting him back—and I have talked with a number of knowledgeable military experts who say there is no military value to this.

Now, we do it for prestige reasons, in order to get there ahead of Russia. What is the advantage of getting to the moon ahead of Russia when there is no advantage to either Russia or ourselves in getting there? We've got from 17½ to 20 million people living in abject poverty in this country—families with incomes of under \$2,000 a year. We have all kinds of unmet needs. Yet we are fascinated by this moon business. And this is only the prelude, because then we will want to go to the planets.

Well, I invite you, Mr. Secretary, to turn your attention to the depletion allowance, to capital gains, and to listen to Senator Gore when he talks on stock options. And there are many other things.

I don't know whether you have read Philip Stern's book "The Great Treasury Raid" or not.

Secretary FOWLER. Yes, sir.

Senator DOUGLAS. I will now make an offer. I will buy a paperback copy for every official in the Treasury Department with a salary over \$15,000 a year, if they will promise to read it. I will ask Mr. Surrey to turn in a list of people making over \$15,000 and I will send them a 50-cent copy, provided they agree to read it.

Secretary FOWLER. I think a great many of them perhaps contributed to Mr. Stern's knowledge in preparation of that book. I suspect most of it came——

Senator DOUGLAS. Mr. Stern drew a lot of his material from data which Senator Gore and I have introduced into the record.

Secretary FOWLER. Haven't we supplied you with considerable material?

Senator DOUGLAS. Upon my request—yes; upon my request. And I am going to request more material.

I want to know how much my plan for reducing depletion allowances will bring into the Treasury.

Senator LONG. Well——

Senator DOUGLAS. I know this will get the support of my dear friend from Louisiana.

Senator LONG. Senator, I'm not worried about those proposals that can't get votes; I'm worried about those that can.

As a member of the Foreign Relations Committee, I demanded that the witness be permitted to answer the question. On this committee I hope the members will go along with a rule that the witness should be able to answer the question. We had turns on that situation before television where a single member would make a 10-minute speech and refuse to let the witness answer a question. So I am going to accord the Secretary the opportunity to respond to Senator Douglas' last question.

Senator DOUGLAS. Thank you very much, Mr. Chairman.

Senator LONG. Do you want to comment or not comment? What is the witness' position?

Secretary FOWLER. The witness' position is that he is being informed about the views of the members of the committee on various subjects. He finds a considerable interest in them. They will all be studied very carefully. But at the moment, just as I did not choose to comment on Senator Williams' invitation to discuss doing away with 4¼-percent ceiling, I think I will not pass comment on some of Senator Douglas' proposals.

Senator LONG. If the witness wanted to answer the question, I wanted him to have the opportunity. Senator Gore.

Senator GORE. Mr. Chairman, I will forgo the privilege of interrogating the Secretary, but I would like to inform the committee that I expect to offer in executive session, and hope to obtain adoption by the committee—if not successful in the committee, then I will make a determined effort on the floor of the Senate—of an amendment to

substitute a 2-year suspension of the investment tax credit for the excise tax increases on automobiles and telephone service.

The investment credit was recommended on the basis that it was needed to stimulate the economy. I know of nothing that is less needed now than artificial stimulation of the economy. The investment credit was of dubious validity, even when offered. It is downright inflationary and harmful now.

Suspension or repeal of the investment credit would produce revenue of \$2 billion per year. The revenue is needed, the investment credit is not needed—indeed it is harmful now.

So instead of a regressive tax on the workingman who must buy an automobile to earn a living, and on telephone service which everybody in the country must use, I propose a suspension of the investment credit for an equal period.

Now, the Secretary has given in advance reasons, both long range and short range, as to why this should not be done. I will demonstrate later that in both respects the Secretary's position is ill founded in both philosophy and fact.

Thank you.

Senator LONG. Well, might I ask the Secretary's response—he's the witness. What's the position of your Department on that, Mr. Secretary? Frankly, I find some appeal to it.

Secretary FOWLER. I have covered it as fully as needed today in answer to a question by Senator Smathers. I know it is a controversial question. I don't believe I have anything to add to my answer to Senator Smather's question.

Senator LONG. Mr. Secretary, I want to talk about the Federal Reserve a little more.

Who does the Federal Reserve work for?

Secretary FOWLER. The Congress.

Senator LONG. Now, we have heard a lot about the independence of the Federal Reserve Board. It is true that that Board is named by the President. But as I understand it, that Board is supposed to be independent of the President, in position to make its own judgment.

Nevertheless the Board is responsible to the Congress that created it, is it not?

Secretary FOWLER. That is correct.

Senator LONG. So that in the last analysis, if those of us in Congress don't like what that Federal Reserve Board is doing, they are responsible to us, is that correct?

Secretary FOWLER. That is correct.

Senator LONG. I once discussed this with a previous President. I did not like the interest rates the Board was maintaining at that time. The President on that occasion informed me that the trouble was that the Board was not responsible to him, they were responsible to us, that we were the culprits. Now if we don't like what the Board does, what can we do about it?

Secretary FOWLER. I think the normal function of the Congress in this, as in all other areas where it creates agencies with regulatory authority, is to define the policies that it wishes the body that it has created to carry out.

Insofar as I know the policies of the Congress, it directs the attention of the Federal Reserve Board to those set forth in the Federal Reserve

Act, and as many will contend, and I think the Board members would accept, the policy stated in the Employment Act of 1946, which is a general declaration of a policy of Congress for the exercise of all forms of Federal authority in dealing with the economy. It has a number of ingredients—to act in coordinated fashion, promote the private competitive enterprise system, and enable that system to function so as to maximize employment and purchasing power and related matters.

Senator LONG. Well, if we think that that Board is not correctly construing these acts of Congress, and is not acting in the national interest as we interpret those laws, do we have the power to instruct that Board what it shall do?

Secretary FOWLER. Yes; I think that is implicit.

Senator LONG. And does the President have that power?

Secretary FOWLER. No; he certainly does not.

Senator LONG. Is that Board independent of the Congress?

Secretary FOWLER. I don't see how it could be argued under our system of government that any body created by the Congress and delegated authority by the Congress, which authority in turn is confined under the Constitution to the Congress, that that body is independent of the Congress.

Senator LONG. May I say, Mr. Secretary, some people would like to assume that that Board just opeartes out there in a vacuum, that they just are not subject to influence of any sort whatever. I don't know any other body in Government of whom that has been said. Some might contend it for the judiciary. But my impression has been everybody I have ever known in Government is subject to influence one way or another by somebody. If the Executive does not seek to use some influence in the national interest on them, then private interests will.

Now, I guess I know some of the influence that Board is subject to. Since becoming ranking member on this committee, and particularly since becoming chairman, I have been invited to attend meetings of business people. I must say that I gained some impression of how the Master must have felt when he was led to the top of the mountain and shown the world below. When I met some of those important people that one meets in positions of responsibility—just for a smalltown boy from Louisiana—it impressed the daylight out of me.

I must say that some fellow appointed to that Board, when he meets with people that can sign a check for a billion dollars, must be very impressed.

If we think that Board has been overawed by those with whom they associate, it seems to me that those of us who now and then have to go back and shake hands with a guy in overalls ought to tell that Board what we think about their policies. I don't have any illusions about the matter. My feeling is that we have some responsibility ourself. When we see that Board impose a high interest rate policy on the people of this country, which in general terms is an attack on the poor for the benefit of the well to do, it seems to me we have the burden ourselves to suggest alternates, and to suggest that that policy be changed. I am not advocating that we not have interest, but when interest becomes unnecessarily high. We should voice our objections.

As I understand it, Mr. Secretary—I just want to get this clear. That is our responsibility, and we have a perfect right to suggest a change in that policy if we wish to.

Secretary FOWLER. I would think that is very, very clear. This is a body of Congress and it, so far as I know, is answerable to no one but the Congress and through the Congress.

Senator LONG. I thank you.

Senator SMATHERS.

Senator SMATHERS. Mr. Secretary, I want to briefly question you about just two subjects

First, the balance of payments.

What is our situation with respect to balance of payments today as related to last year and the year before?

Secretary FOWLER. The most up-to-date figures, Senator Smathers, are for the calendar year 1965. They indicate that the 1965 deficit on the so-called overall or liquidity basis was \$1,299 million. That compares with a 1964 deficit of \$2,800 million.

I think 1965 was the most successful year we have had up to now in reducing the deficits which first became a matter of alarm in 1958, 1959, and 1960—when on this basis they approximated \$3 billion.

The deficit in 1965, while it was \$1.3 billion, was the smallest overall balance-of-payments deficit since 1957. It was less than half the size of our deficits in 1964 and 1963, and it compares with average deficits on this same accounting basis of \$3 billion a year in each of the 7 preceding years, 1958 through 1964.

Senator SMATHERS. You don't have any figures with respect to recent months which suggest that our balance-of-payments position is worsening?

Secretary FOWLER. No, sir. The figures that we get on a weekly or monthly basis are so fragmentary and unreliable that I have always found it very misleading to relate them publicly.

We will have our first good picture of the 1966 situation in May when the first quarter figures become available.

Senator SMATHERS. We still have a deficit, but it is diminishing, is that right?

Secretary FOWLER. The 1965 deficit was, as I said, less than half of the deficits in each of the preceding 2 years. Moreover, we have devised substantial improvements in the balance-of-payments program to help us achieve our objective of equilibrium in 1966—a balance in 1966 within the range of a quarter of a billion dollars surplus or a quarter of a billion dollars deficit.

Whether or not we are going to be able to achieve equilibrium, as we see it now, depends primarily on two factors. One—what the rising balance-of-payments cost in southeast Asia will be, as a result of our increased military and aid programs there, and, two, the other imponderable, what happens to our trade balance in 1966.

You recall that in 1964 we had a very substantial balance-of-trade surplus, approximately \$6.7 billion. Last year, due to what we hope are nonrecurring factors, it was reduced to approximately \$4.8 billion. We are hopeful that those nonrecurring factors, or their equivalents, will not recur, and that the trade balance can be brought back up toward a \$6-billion surplus level.

The voluntary program, both with reference to direct investment overseas and with reference to bank lending, is working admirably.

Senator SMATHERS. How is the voluntary program working with respect to tourist travel?

Secretary FOWLER. Not well.

Senator SMATHERS. What happened—what were the figures on that?

Secretary FOWLER. We had a tourist deficit in 1964 of \$1.6 billion. In 1965 the net deficit increased to \$1.8 billion.

Senator SMATHERS. So rather than the tourists responding to the plea of the Secretary of the Treasury and others, they traveled more than ever before.

Secretary FOWLER. I think they traveled and spent more than ever before. I think it should be said, however, that the program of encouraging domestic travel by Americans and encouraging foreign travelers to come to the United States got underway fairly late in the spring. Perhaps its true effectiveness can be better assessed in 1966.

Senator SMATHERS. Do you have any idea as to how many tourists last year went to Europe, approximately how many?

Secretary FOWLER. I don't have those figures with me, Senator, but we do have them. They are readily obtainable.

Senator SMATHERS. Would you supply them for the record?

(The following tables were submitted for the record:)

Expenditures for foreign travel by U.S. residents, 1960-64

[Millions of dollars]

	1960 ¹	1961 ¹	1962 ¹	1963 ¹	1964 ¹
Total.....	2, 597	2, 600	2, 875	3, 195	3, 381
Transportation.....	865	865	990	1, 105	1, 165
Foreign-flag carriers.....	505	507	575	615	635
U.S.-flag carriers.....	360	358	415	490	530
Expenditures abroad.....	1, 732	1, 735	1, 885	2, 090	2, 216
Canada.....	380	425	479	522	550
Persons staying less than 24 hours.....	48	47	55	(²)	(²)
Mexico.....	365	370	395	448	480
Persons visiting Mexican border only.....	245	254	280	322	340
Oversea areas.....	987	940	1, 011	1, 120	1, 186
European and Mediterranean.....	692	618	652	755	815
United Kingdom.....	114	105	113	119	132
Ireland.....	11	12	15	16	20
France.....	116	103	113	124	127
Benelux.....	32	26	26	32	33
Germany.....	82	62	64	75	79
Austria.....	22	24	21	24	29
Switzerland.....	53	46	44	55	56
Italy.....	120	110	118	138	148
Spain.....	25	24	28	38	47
Israel.....	18	19	22	25	25
Greece.....	15	16	17	26	26
Denmark.....	23	19	18	21	23
Norway.....	11	12	11	13	15
Sweden.....	14	13	11	13	14
West Indies and Central America.....	166	160	178	180	190
Bermuda.....	28	31	30	32	33
Bahamas.....	42	45	48	48	55
Jamaica.....	28	30	38	40	45
Other British West Indies.....	18	18	18	19	20
Netherlands West Indies.....	10	11	10	10	12
South America.....	45	48	55	56	57
Other oversea areas.....	84	114	126	129	124
Japan.....	36	46	50	52	54
Hong Kong.....	18	24	23	24	25
Australia-New Zealand.....	(²)	11	12	13	14
Other.....	30	33	41	40	31

¹ Revised.

² Not available.

NOTE.—For coverage, see table 1.

Source: U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, June 1965.

Numbers and expenditures of U.S.-born and foreign-born U.S. residents traveling in Europe and the Mediterranean area, selected countries, as available, 1963-64

	Number of travelers (in thousands)			Total expenditures (in millions of dollars)			Average expenditures (in dollars)		
	U.S.- born	For- eign- born	Total	U.S.- born	For- eign- born	Total	U.S.- born	For- eign- born	Total
Europe and Mediterranean:									
1964.....	963	287	1,250	681	134	185	704	463	649
1963 ¹	838	264	1,102	616	139	755	730	520	680
Sea:									
1964.....	163	60	223	163	39	204	985	632	888
1963 ¹	178	76	254	173	48	221	972	637	850
Air:									
1964.....	800	227	1,027	518	95	613	648	420	597
1963 ¹	660	188	848	443	91	534	665	474	630
United Kingdom:									
1964.....	532	88	620	113	19	132	213	213	213
1963 ¹	471	83	554	99	20	119	211	236	215
Ireland:									
1964.....	88	26	114	14	6	20	159	230	175
1963 ¹	62	18	80	11	5	16	175	280	200
France:									
1964.....	563	71	634	115	12	127	205	175	200
1963 ¹	518	79	597	110	14	124	212	177	208
Belgium-Luxembourg:									
1964.....	160	21	181	9	2	11	55	75	61
1963 ¹	128	21	149	8	2	10	60	81	67
Netherlands:									
1964.....	245	30	275	19	3	22	77	103	80
1963 ¹	203	32	235	18	4	22	89	117	94
Germany:									
1964.....	381	92	473	60	19	79	160	207	167
1963 ¹	333	81	414	54	21	75	163	255	181
Austria:									
1964.....	219	37	256	25	4	29	116	115	116
1963 ¹	178	35	213	19	5	24	109	155	113
Switzerland:									
1964.....	349	53	402	47	9	56	135	165	139
1963 ¹	330	53	383	47	8	55	142	151	144
Italy:									
1964.....	470	78	548	124	24	148	264	296	268
1963 ¹	424	79	503	113	25	138	265	311	274
Spain:									
1964.....	195	20	215	43	4	47	220	201	219
1963 ¹	153	18	171	34	4	38	217	243	222
Denmark:									
1964.....	166	23	189	19	4	23	115	164	122
1963 ¹	157	20	177	18	3	21	117	161	119
Sweden:									
1964.....	91	13	104	11	3	14	125	205	125
1963 ¹	78	11	89	10	3	13	134	256	146
Norway:									
1964.....	68	20	88	10	5	15	145	270	170
1963 ¹	(2)	(2)	70	(2)	(2)	13	(2)	(2)	186
Greece:									
1964.....	92	17	109	19	7	26	211	396	238
1963 ¹	80	16	96	18	8	26	231	421	271
Israel:									
1964.....	61	23	84	18	7	25	278	303	286
1963 ¹	52	24	76	16	9	25	306	353	328

¹ Revised.

² Not available.

NOTE.—For coverage see table 1: includes the expenditures but not the number of cruise travelers. Average expenditures of foreign-born U.S. residents are higher than those of U.S.-born travelers in some countries, though they are lower for the area as a whole, because foreign-born travelers visit fewer countries, and stay longer than the U.S.-born travelers, who visit more countries on each trip.

Source: U.S. Department of Commerce, Office of Business Economics, based on data of U.S. Department of Justice, Immigration and Naturalization Service.

Senator SMATHERS. Would you also show how many of those went to France and how much they spent in France?

Senator DOUGLAS. Would the Senator yield for a minute?

I also think that southern Florida is as attractive as the Riviera.

Senator LONG. The beaches are a lot better.

Senator SMATHERS. There are many advantages—plus the fact that apparently Mr. De Gaulle does not want our soldiers there. He apparently doesn't want anybody there except the tourists.

Why would it not be a good idea to eliminate some of this deficit, in the light of the fact that De Gaulle does not seem to want us under any conditions, by limiting our tourist travel to France? Would not that have a tendency to improve our balance-of-payments deficit?

Secretary FOWLER. It certainly would.

Senator SMATHERS. Then you would have no great objection if somebody on this committee offered such an amendment.

Secretary FOWLER. An amendment to do what?

Senator SMATHERS. If somebody—we have seven or eight members of the Foreign Relations Committee on this committee. So this is sort of a joint Foreign Relations-Finance Committee.

Senator DOUGLAS. You are facing the power structure.

Senator SMATHERS. In the light of the fact that we continue to have this balance-of-payments deficit, in the light of the fact that our imbalance with respect to tourist travel is worsening, and in light of the fact that Mr. De Gaulle apparently does not want our soldiers there—my question was, Would the Secretary have any objection if some Senator should offer an amendment which would temporarily proscribe our citizens from traveling into France?

Senator MCCARTHY. If the Senator will yield—

Senator SMATHERS. Let him answer the question.

Secretary FOWLER. I think that proscription or prohibition of travel is a very serious thing, and I would not—

Senator SMATHERS. I will withdraw that word. That's a bad word. I would like to suggest that we put a tax on them if they travel to France, in order to discourage traveling, comply with the apparent wishes of Mr. De Gaulle, and at the same time improve our balance of payments.

Senator GORE. I would be more interested in a little subsidy to go to Florida.

Senator SMATHERS. I am always interested in that.

Secretary FOWLER. This is a matter which I would like to discuss with my colleague, the Secretary of State. I don't know what the restrictions are on discriminatory treatment of other countries in connection with travel and trade. I do know that it's currently the policy of the administration to try to deal with the travel deficit primarily through encouraging, by voluntary means, travel by Americans in the United States and encouraging travel by foreigners to the United States.

I might suggest in that connection that we could use some help in the appropriation in connection with the U.S. Travel Service. It has always been substantially cut back in its requests for appropriations. I think that whatever the U.S. Travel Service could do to encourage foreigners to come to the United States and see the sights that are here, this would be the quickest and the most effective help we could get from the Congress in this area.

Senator SMATHERS. It has been suggested that a better method would be to put a tax on the passport as it relates to visiting in France.

Now, on one other matter.

Senator WILLIAMS. Before the Senator leaves that, would he allow for just one observation? As we get a report from the Secretary on that proposal, would you give us the effect it would have on the budgetary expenditures if in enacting that tax we did not exclude public officials who would likewise go there? If that tax were applied to public officials traveling in Paris, including the executive and congressional trips, I wonder how that would affect the budget.

Secretary FOWLER. I think it would be a substantial element in it.

Senator SMATHERS. I would like——

Senator MCCARTHY. Would the Senator yield to me before you leave this subject.

I think perhaps we might have a voluntary program. We could get Conrad Hilton to build a Hilton Rome in Miami and a Hilton Athens in St. Petersburg, and a Hilton Istanbul in Fort Myers, and then the Commerce Department could run a program to persuade Americans that they could have all of the joys of Rome, Athens, and Istanbul by going to Fort Myers, St. Petersburg, and Miami.

Senator SMATHERS. I would be all for that. That's one of the most constructive suggestions I have heard.

Secretary FOWLER. While we are being helpful to each other, I would like to offer the Senator the film that has recently become available and will be shown. It's called, "The Land We Love," and has been made available by the motion picture industry of the country. We hope that it will in a way induce people to see the United States and see all that there is to offer here. It is also going to be used in connection with our savings bond program. I think it is a very inspiring film, and I hope every American will see it before the year is out.

Senator SMATHERS. In light of the fact that I regrettably have had to spend considerable time in Minnesota, at Rochester, I would hope that Mr. Hilton would also build a new hotel in Rochester.

Senator LONG. Under the 10-minute rule——

Senator SMATHERS. Let me ask one more question, and then I'll be through.

Mr. Secretary, I introduced a resolution here the other day with respect to having this committee have some hearings so that some contingency planning, I think, as you call it, might be looked into.

Is it not a fact that in the President's message to the Congress of January 27 that that course of action was at least indirectly recommended?

Secretary FOWLER. I have not examined the message in that regard. I do know that in appearing before the Joint Economic Committee—I think Senator Douglas was there—early this month, I specifically said in a statement to the committee that——

There are those who propose that the administration come forward now with a program to enforce much harsher restraints on the economy than those now in effect or proposed in the President's budget. The administration disagrees with the premise that more needs to be done now. However, it welcomes the putting forward of any specific proposals since they may add to the range of contingency planning in which it itself is engaged. Indeed, it suggests that the House Ways and Means Committee or the Joint Economic Committee study, review, and recommend the type of tax increases which would be most suitable if inflationary pressures require additional fiscal action.

I would like to add to that statement that I think it would certainly be desirable if this committee had time to undertake an exploration of that, and also a related and important subject; namely, what types of tax action might be recommended to the Congress in the event hostilities in Vietnam ceased, and we were looking into the direction of additional tax reduction.

It seems to me that it would be helpful to have this subject explored now by those concerned in the general public, the various organizations, the various bodies, the various groups that have proposals for either of these contingencies.

I have had the feeling—it has been reflected, I think, in perhaps too many talks I have made—that there has been a certain amount of a psychological overreaction to the economic situation insofar as its present figures and present statistics would indicate.

I think public exploration of what one might call contingency planning, what we do in the event certain things happen would be a very useful thing.

Senator SMATHERS. I thank the Secretary.

Senator LONG. Two Senators have arrived since we have had our first round under the 10-minute rule this morning. If it's agreeable with the committee, we will allow them 10 minutes before we go back on the second round.

Senator McCARTHY. Mr. Secretary, you would acknowledge that the powers which the Federal Reserve Board have over money and credit in this country are probably the greatest powers of control over the financial institutions in America.

Secretary FOWLER. No question about that.

Senator McCARTHY. Now, is there any good reason why that power should be exercised independently of the determination of the Government of the United States?

Secretary FOWLER. Independent of what?

Senator McCARTHY. Independent, let us say, of the decisions of the Treasury, the President, or the Congress, in the short run.

Secretary FOWLER. I don't think any of the decisions that are made that have anything to do with the national economy should be independent of the Congress.

Senator McCARTHY. Let's take the existing system. Let's not get into the theory. Under present practice it is a fact that the Federal Reserve Board can make decisions that are contrary to what the Treasury would like to have them make.

Secretary FOWLER. That's correct.

Senator McCARTHY. Do you think that's a good situation?

Secretary FOWLER. I favor a coordinated policy mix between the actions of the various executive departments and the Federal Reserve Board as they bear on our economic situation in applying fiscal as well as monetary and credit policies.

I think coordination is an important element in the utilization of these powers.

As to the use of the word "independent" that's another question.

Senator McCARTHY. Well, how would you propose to achieve this coordination, by surrender of the Federal Reserve Board to the Treasury, or do you think we ought to establish substantive law to shift the

balance of responsibility and authority a little more clearly to the Treasury?

Secretary FOWLER. I think that the route of coordination is one that we have been trying to follow. I think it has produced fairly successful results over the last 5 years.

The difference of view which occurred in December was not a failure of coordination in the sense there was a failure of communication—we exchanged views at great length on whether it was the appropriate time to take any such action. It was simply a difference of judgment and a difference of decision. I think whether or not there should be any change in the locus of power as between the various constituent bodies of the administration and the Federal Reserve Board is a question for the President to determine. I don't intend to offer any view on that subject today.

Senator McCARTHY. It would be a question for the Congress and the President to determine.

Secretary FOWLER. That's correct.

Senator McCARTHY. As far as you know the Treasury Department is happy with the relationship that now exists?

Secretary FOWLER. Obviously you always would prefer to have your own views prevail on a given situation. But I would say that by and large we have had a very excellent working relationship and pattern of coordination over the past 5 years. That, however, does not exclude the fact that there was a difference of opinion in December and there could be differences of opinion at other times.

Senator McCARTHY. Do you think that the Federal Reserve policy over the last 5 years would have been essentially what it has been if the will of the Treasury had prevailed?

Secretary FOWLER. Excluding the situation last fall, I think it would be fair to say that the mix of policies that characterized the period that I have been familiar with—since 1961 up to April 1964, and from April 1965 up to this fall—represented a consensus view of what was the right thing to do in the fiscal and monetary field.

Senator McCARTHY. You don't think, then, that the Treasury in these years would have been subject to political pressures which would have made it act irresponsibly and differently from what the independent Federal Reserve Board has done?

Secretary FOWLER. No.

Senator McCARTHY. It is your opinion that whatever justification there may have been for an independent Federal Reserve Board which was set up in 1913, that that justification no longer exists and the Treasury has become independent of political pressure and become technically more competent and more responsible?

Secretary FOWLER. I think that is a question on which judgment should be really one of the President's rather than my own.

Senator McCARTHY. Well, this is one for an expert.

Secretary FOWLER. One can not be altogether objective about one's own—

Senator McCARTHY. You think the Department is responsible?

Secretary FOWLER. My Department is a good, responsible department.

Senator McCARTHY. It wouldn't be subject to political pressures?

Secretary FOWLER. It might be subject to some political pressures from a variety of sources. One sitting in the Treasury Department realizes that there are many of these forces at work constantly.

Senator McCARTHY. It would appear whether the rate was raised or not raised depends upon the presence of one man.

Secretary FOWLER. A board of seven members, four of which constitute a majority.

Senator McCARTHY. Do you think this is desirable?

Secretary FOWLER. Well, it's the way those decisions are taken, Senator McCarthy, counting noses. I don't know of any better system.

Senator McCARTHY. One more question on this matter.

It has been indicated that the Treasury was not really altogether unhappy with the recent interest rate increase. It's been said that you would have approved it, but you did not like the fact that they approved it some time in advance of the announcement of other policy decisions.

Secretary FOWLER. I would like, Senator McCarthy, to answer that question, and I would also like permission of the Chair to include in the record excerpts from four speeches that I made during this period giving my views in full on monetary policy and interest rate.

But to answer your question briefly, the increase is an accomplished fact. The President's tax and economic program took it into account. As the President said down at the ranch, he didn't think it was useful to indulge in a post mortem. I think it was very clear from the statement I made in New Orleans, in the presence of the chairman of the committee, on November 29 that I felt any decision taken at that time would be premature and unwise.

(The following material was submitted for the record:)

THREE PUBLIC COMMENTS ON MONETARY POLICY BY SECRETARY HENRY H. FOWLER
BEFORE THE RECENT FEDERAL RESERVE ACTION ON THE DISCOUNT RATE AND ONE
PUBLIC COMMENT AFTERWARD—EXCERPTS FROM FOUR SPEECHES

A. BEFORE FEDERAL RESERVE BOARD ACTION

1. *Remarks before the Economic Club of New York, Waldorf-Astoria Hotel, New York, N.Y., Monday, November 8, 1965*

"Some are not content to tackle any present or potential risks of inflation with that responsible kind of fiscal policy. They advocate abrupt restrictions on the expansion of money and credit to restrain the growth of demand, and would invite sharply higher long-term interest rates. This would be a substantial change in our policy mix of the last 5 years and amount to a new ball game. It would raise in the minds of our producers and consumers serious questions about whether or not to continue to buy and expand in the light of increased cost of money and tightness of credit.

"The important point is that no sufficient evidence has yet developed to justify this kind of treatment of the price situation or of the supply-demand relationship by cutting back on demand rather than emphasizing efforts to expand supply. To restrain demand at this time would be to admit that the continued growth of the U.S. economy in amounts comparable to the advances of the last 2 years is beyond our resources. In those years our pluses and minuses have added up to a generally smooth and well-phased expansion of about \$10½ billion a quarter in our GNP. The pluses and minuses that are in prospect, according to the analyses of most of our economic forecasters, public and private, do not suggest a marked deviation from that pattern in the next year—either upward or downward. Is it too much? I believe the answer is, and should be, "No."

"I would urge that from here on our priority objective should be to achieve that growth without increasing pressure unduly on reserve capacity. To do so

we must increase our efforts to provide the capacity to absorb that growth so that the risks of pressure on prices and of aggregate demand on productive capacity are minimized by increases in supply rather than restrain of demand.

"And to digress for a moment, we hear again a refrain that a solution to the balance-of-payments problem can be found in tight money and higher interest rates. Presumably proponents of this approach must be referring to rather drastic measures since that is what would be necessary bring into equilibrium the interest rate levels that characterize the U.S. economy and other capital markets.

"Let me also remind you that twice before the Federal Reserve has raised its discount rates—one-half of 1 percent in the summer of 1963 and one-half of 1 percent in the fall of 1964—to deal with balance-of-payments problems. We have clearly not overlooked this instrument. But our rises were followed by rises abroad and the gap remained—and in some important areas widened. Only a few months after the second increase it was necessary to request voluntary action to restrain an accelerating outflow of capital from our banks and nonbank financial institutions. As my predecessor, Douglas Dillon, several times pointed out—as early as Rome in 1962—the problem of disparity between interest rates and capital availability here and abroad is rooted in rates abroad that are far too high, and in the woeful inadequacies of foreign capital markets. This kind of substantial disequilibrium cannot be eliminated or reduced to manageable proportions under present circumstances by any monetary action at all consistent with our domestic needs.

"May I suggest that the zealous exponents of the use of monetary policy to achieve a better balance among international interest rates have a fertile field for missionary work in Western Europe. We should not play the game of the dog chasing its tail to the point of severely damaging our economy and risking a recession. It makes no sense to raise persistently our interest rates to a point where they may conflict with the maintenance of our domestic expansion and yet not provide a real solution to our balance-of-payments problem."

2. *Remarks before the Executives' Club of Chicago Hotel Sherman, Chicago, Ill., Friday, November 19, 1965*

"Let me close now with a brief discussion of a third, and related, area of strain on our working partnership of government, labor and business, for the maintenance of economic prosperity and the support of our national aims through economic responsibility. This is the subject of interest rates.

"We have been hearing again the refrain that a solution to the balance-of-payments problem can be found in tight money and higher interest rates. Presumably, proponents of this approach must be referring to rather drastic measures since that is what would be necessary to bring into equilibrium the interest rate levels that characterize the U.S. economy and other capital markets.

"Interest rates have already moved up in the United States significantly, particularly in the past 2 years, mainly in response to balance-of-payments problems. But our rises were followed by rises abroad and the gap remained—and in some important areas widened. As my predecessor, Douglas Dillon, several times pointed out—as early as Rome in 1962—the problem of disparity between interest rates and capital availability here and abroad is rooted in rates abroad that are far too high, and in the woeful inadequacies of foreign capital markets.

"It makes no sense to raise persistently our interest rates to a point where they may conflict with the maintenance of our domestic expansion and yet not provide a real solution to our balance-of-payments problem."

3. *Remarks before the Press Club of New Orleans, Hotel Roosevelt, New Orleans, La., Sunday, November 28, 1965*

"There is one other area which requires comment—money, credit, and interest rates. There are those who have advocated without any detailed knowledge of the budget for fiscal 1966 and the new budget for fiscal 1967, a sharp change in monetary policy to restrict further the expansion in money and credit. It seems to me that monetary policy so far has played a vital and constructive role in the coordinated mix of fiscal and monetary policy that has brought us to our present posture of economic strength. Credit has been ample, but not excessive, and has fueled a balanced economic expansion. It is premature and unwise to call for further restrictive monetary action now, in order to curtail the expansion of money and credit and raise interest rates more than the market has already raised them.

"There may be room for honest differences of opinion among well-informed and unprejudiced persons on this issue. However, it is my strong belief that any

orderly adjustment of a properly coordinated mix of fiscal and monetary policies to deal with the period ahead calls for that policy mix to be determined only with full knowledge of the President's new budget.

"Of course, I recognize, as all realists must, that new facts and new developments may at any time call for a reexamination of the policy mix that has served us so well—and that there may well be circumstances when the use of monetary policy to combat inflation would be wholly appropriate. However, today's circumstances call for a policy of watchful waiting until the 1967 fiscal year outlook is clarified in mid-January with the presentation of the President's new budget.

"It must never be forgotten that today's balanced expansion, free from inflation, reflects a combination and coordination of sound fiscal and monetary policies, intelligent business planning, and responsible restraint by business and labor in making wage and price decisions.

"Our task at home now is to prove that we can nourish and preserve that balanced expansion, free from inflation, in the darkening shadows of intensifying battle in Vietnam as well as we did in the months prior to July 28."

B. AFTER FEDERAL RESERVE BOARD ACTION

Remarks at the American Conference on the Atlantic Community and Economic Growth convened by the Atlantic Council, Crotonville, N.Y., Sunday, December 12, 1965

"It was this structural imbalance in foreign money markets that forced us in 1963 to apply an interest equalization tax on long-term portfolio credit to foreigners in developed countries. And it is this structural imbalance that makes it clear that whatever domestic reasons may justify them it would be folly for us to try to stanch the flow of U.S. funds abroad by restrictive monetary policies aimed at raising interest rates in this country to the structured high levels of the countries of Western Europe, and of Japan. Foreign borrowers were not daunted by two rises in the U.S. discount rate, in July 1963 and in November 1964. Before the latest increase in the Reserve System's discount rate a few days ago the gap was as big, if not bigger, than it was previous to the 1963 rise in the U.S. discount rate. And it appears from current reports that rises in interest rates in Western Europe will rapidly wipe out any temporary narrowing of the gap which might have resulted from the recent action of the Federal Reserve Board. Long before we could level rates here and abroad through this process, we would drive this country into a recession that would reduce the attractiveness of investment here and increase the attractiveness of investment abroad, aggravating rather than improving our balance-of-payments position."

Senator McCARTHY. How much premature was it?

Secretary FOWLER. The connotation of the statement was that the decisions about fiscal and monetary policy should be made in January when all the facts concerning the new budgetary program of the President were available. These involved not only the decisions on Vietnam, to the extent that they could be made at that time, but also the related problem of priorities which we discussed here this morning—what should be held back, what should be cut, to what extent there should be new taxation, to what extent there should be other programs.

I felt it was wise to make any decision regarding any form of restraint in the context of a coordinated whole rather than to make it separately 3 or 4 weeks in advance of the fact.

Senator McCARTHY. If the law provided that the pronouncement of a change in interest rate, rediscount rate, could be held in abeyance by the Treasury if it wished to do so for 3 months, you would not have had that difficulty, would you?

Secretary FOWLER. No.

Senator McCARTHY. And what would have happened after 3 months—if you had had authority to veto the increase or to approve it?

Secretary FOWLER. It's impossible for me to predict what the intervening events would have been and what the other alternatives would have been to either that particular decision or to variations of that particular decision.

Senator McCARTHY. Let me ask this.

The tax increases which you are proposing—were they in part determined in consideration of the interest rate—rediscount rate increase the Federal Reserve Board had ordered?

Secretary FOWLER. Oh, yes. That was part of it—as I have said—I think the President said—that was a fact of life which we accepted, and we did our planning and decisionmaking in the light of that fact.

Senator McCARTHY. What would you have recommended by way of taxes, if the interest rates had not been increased?

Secretary FOWLER. It is very difficult for me to say, Senator. That is, of course, a hypothetical question.

Senator McCARTHY. It's not exactly. You must have given some thought to this.

Secretary FOWLER. Well, no. We had a great deal to do at that time in devising a program in the light of the facts as they were, rather than to go off and decide what we would have done if the facts had been different.

Senator McCARTHY. You didn't know until that vote was taken that they were going to increase the interest rate?

Secretary FOWLER. That's correct.

Senator McCARTHY. You mean to say you were not making any plans?

Secretary FOWLER. We were making plans, we were engaged in studies.

Senator McCARTHY. You were making plans but did not assume there would be an increase in the interest rate?

Secretary FOWLER. We were surveying the field. But the fundamental problem was what the figures in the budget were going to be. And for the very reason that I thought it was unwise and premature for the Federal Reserve Board to arrive at a decision without a knowledge of those figures, and the decision that they reflected, so I would have felt it would be unwise for the Treasury to come to any conclusions about tax policy without knowing what the budgetary situation would reflect. We did not know that until late in December and early in January.

Senator McCARTHY. You are not prepared to say how your tax recommendations today would be any different from what they are if the interest rates had not been increased?

Secretary FOWLER. No, sir; I am not. I would surmise that there would have been a decision as to whether we would have more fiscal or tax action, and less monetary action, or whether we would have the same monetary action and the same tax action as you have confronting you today, or whether we would have a different kind of monetary action and the same or different tax action.

The variations are rather substantial in this kind of a situation.

Senator McCARTHY. Do the taxes you are recommending today anticipate an additional increase in rediscount rates?

Secretary FOWLER. No; they do not. They take the situation as we find it.

Senator McCARTHY. You are not making any guess?

Secretary FOWLER. I am not.

Senator McCARTHY. In anticipation of what might happen?

Secretary FOWLER. No, sir.

Senator McCARTHY. Does the Treasury have a view as to whether or not these increases in rediscount rates—up to this point—have they been deflationary or as they appear at least in the short run to have been inflationary?

Secretary FOWLER. In a way I think I answered that question before you came in. I think it takes about 6 to 9 months to make a real determination of what happens as a result of a change of this sort. Until more time has passed and more of the evidence is in, it is extremely difficult to come to any decision as to what the overall impact is. Undoubtedly it was for the purpose of deflating the economy and the purpose was so stated.

Senator McCARTHY. There are some economists, however, who think it is inflationary and perhaps the rate should have been raised even higher in order to have a truly deflationary effect. Everybody has his own economist these days.

Secretary FOWLER. Yes. But there would be rather more opinion in the economic fraternity that maybe the rate was all right, but other accompanying actions—

Senator McCARTHY. Mr. Secretary, in view of all these uncertainties, as to the Federal Reserve action, the cost of the war—why does the Treasury not come in and ask for discretionary authority to raise and lower the tax rates on individual or corporate incomes?

Secretary FOWLER. Because once such discretionary authority was requested by President Kennedy several years ago. The attitude and reception of the two taxwriting committees indicated that to pursue the proposal it would be a rather futile gesture.

Senator McCARTHY. There really was no very serious effort made to push that proposal. It was never submitted to us for action, was it?

Secretary FOWLER. It was submitted to the Congress, and there was no sentiment in the Congress for it.

Senator McCARTHY. How was it submitted?

Secretary FOWLER. President Kennedy recommended it in his economic message.

Senator McCARTHY. In a message. But it was never sent up to us by way of a specific proposal for action.

Secretary FOWLER. I think bills were sent up, Senator McCarthy. I don't have that history completely in mind.

Senator McCARTHY. Did you ever ask for hearings?

Secretary FOWLER. The atmosphere was such that it seemed quite futile.

Senator McCARTHY. Conditions were different then from now?

Secretary FOWLER. They were. As I have said to others, I think it is quite desirable for the Congress and the taxwriting committees and the Joint Economic Committee and others concerned to engage in contingency planning exercises that would enable us to move quickly when and if we had to move in this area.

Senator McCARTHY. It is a little difficult for me to understand this modesty on the part of the administration with reference to taxes. We

have the Tonkin Bay resolution interpreted as having given unlimited authority with reference to military action. We had a request in the AID program last year for open-ended authorization for foreign aid expenditures in Vietnam.

It would seem to me that in view of all the uncertainties in the domestic economy, possible increase in the cost of the war, that the request for discretionary authority for taxes would be on the side of good government. I do wish the Treasury and the Executive would have somewhat more confidence in this committee and the Congress to respond under these conditions.

Secretary FOWLER. It's because I have that confidence, Senator McCarthy, that I do not think that the time spent on this very important and difficult issue involving great historical precedent is necessary at this time, that I have every confidence that Congress will act promptly if and when circumstances require the administration to come forward with additional proposals.

I have a lot more confidence in Congress acting promptly in that kind of a situation than I do in Congress acting promptly to delegate to the administration discretionary authority to raise or lower taxes.

Senator MCCARTHY. My time is up. I just wanted to make this one point. I think that sometimes Congress might act more responsibly if it laid down limited conditions under which the executive branch might act than to have the executive branch come up to us under the pressures of acting in a very limited period of time—that the overall purpose of responsible government might much better be served if we laid down guidelines long in advance and let the executive branch operate within those limits, rather than to be called upon to act as we are here, on this excise tax, under the pressure of special Treasury needs.

Now, you balance these one against the other as you speculate on this, Mr. Secretary.

Secretary FOWLER. It's because I agree with just what you have said, Senator McCarthy, that I specifically urge that the taxwriting committees and/or the Joint Economic Committee undertake the examination of what we would call contingency planning.

Senator MCCARTHY. Thank you, Mr. Chairman.

Senator LONG. I am going to call on those Senators who were not able to be here in the beginning.

Mr. Secretary, the fact that they were not here to hear your opening presentation is because they had been requested to come to the White House for a briefing on the military situation in Vietnam.

Senator BENNETT. And I may say, Mr. Chairman, that we got no notice of that. They called many of us at home after dinner last night. So we were not able to notify you that we were not going to be able to be here this morning.

Senator LONG. That's not the first time that that type thing has happened. I am not being critical.

I will call on the Senators and inform them we are operating under a 10-minute rule—each Senator gets 10 minutes on the first round, and after that he can ask as many question as he wants to. For those who have not had their 10 minutes, I am going to call on them in the order in which they arrived here from their other pressing commitments. I now call on Senator Hartke.

Senator HARTKE. Thank you, Mr. Chairman.

Mr. Secretary, as I listened to your testimony which was presented in the Foreign Relations Committee, and the statements that have come from the administration about Vietnam, all the testimony has indicated that we are in for a long war. Isn't that true?

Secretary FOWLER. I would think that it is quite possible and quite probable that it could be a long war.

Senator HARTKE. The testimony that was before the Armed Services Committee—that money that we are now being asked to spend, part of which is for the present situation, part of it for the future, also anticipates not just a long war, but a rather expensive war; is that true?

Secretary FOWLER. Just how expensive, I do not know. I do have, of course, a clear picture of what the expenditures in the current budget contemplate. But I have no knowledge beyond that.

Senator HARTKE. Well, is there any communication from the Secretary of Defense to the Treasury as to what they anticipate the expenditures to be?

Secretary FOWLER. Through the budget documents the Congress is as fully informed about the financial requirements of the war as it is currently envisaged, as I am.

Senator HARTKE. Let me ask you this. According to information you have, then, if the war proceeds at its present level or is escalated in terms of the statements made by Secretary McNamara before the Armed Services Committee—and his testimony has been released—can you tell us what the cost of Vietnam is expected to be for fiscal year 1967?

Secretary FOWLER. \$10.5 billion is the additional cost over the rather minor amounts that were contemplated in the budget submitted in January 1965. This represents an increase of about \$4.7 billion in fiscal 1966, and then an add-on of \$5.8 billion in fiscal 1967.

Senator HARTKE. What is that total for fiscal 1967?

Secretary FOWLER. \$10.5 billion.

Senator HARTKE. We are being asked for an additional supplement at the present time; isn't that right?

Secretary FOWLER. The \$10.5 billion figure I have given you is the expenditure figure for fiscal year 1967. The supplementals being asked for, new obligational authority to meet requirements for fiscal 1966, for fiscal 1967, and some for longer term programs that stretch into later years. I am not familiar with what the breakdown of the \$13 billion new obligational authority figure between fiscal 1967 and thereafter.

Senator HARTKE. Well, are you familiar with how much money you are going to need during those periods of time?

Secretary FOWLER. Yes. The expenditure figure is the figure that gives us our requirement for money.

Senator HARTKE. In other words—

Secretary FOWLER. \$10.5 billion.

Senator HARTKE. Are the amounts which you are asking for here in this bill today, are they sufficient to cover all your money needs for fiscal 1966 and fiscal 1967?

Secretary FOWLER. This bill contemplates, as does the budget, a deficit in the administrative budget of \$1.8 billion in fiscal 1967, a

cash budget surplus of \$500 million in fiscal 1967, and a national income and product account deficit of \$500 million.

Senator HARTKE. Now, in this calculation of course you have anticipated a normal growth pattern of what percent?

Secretary FOWLER. We have anticipated a gross national product in the calendar year 1966 of about \$722 billion, with a \$5 billion range on either side. To come down to a hard figure, our estimate would be around \$722 billion. That compares to GNP in 1965 of approximately \$676 billion.

Senator HARTKE. If the expenditures do not stay within those presently in the budget, and if this growth is obtained, will you have to come back for additional taxes, either in fiscal 1966 or 1967 or 1968 to meet the expenditures which are presently being incurred?

Secretary FOWLER. We would not have to come back to meet the expenditures contemplated in the budget for fiscal 1967 provided the total for non-Vietnam expenditures are not substantially increased by the Congress, and provided there are no unforeseen developments in Vietnam that would require expenditures in fiscal 1967 over and above those presently contemplated in the budget.

Senator HARTKE. What was the amount of the increase in expenditures which you did not anticipate which makes it necessary for you to come to us now and ask for a change in our tax structure in this year?

Secretary FOWLER. \$4.7 billion of additional expenditures for Vietnam were not contemplated in the budget document of January 1965, for fiscal year 1966.

Senator HARTKE. When did the Treasury first learn it was going to have to pick up the tab for that amount?

Secretary FOWLER. Well, those figures first emerged, to my knowledge, when Mr. Moyers announced them in late November at the President's ranch.

I am not positive, but I believe he gave \$4.7 billion then. If not then, it was in the budget document, itself.

Senator HARTKE. Now, Mr. Secretary, what bothers me is why all of a sudden in November we found out that we were going to need this additional \$4.7 billion, and there was no anticipation on it on the part of the Treasury during the time we were being asked by the Treasury to reduce excise taxes last year.

Secretary FOWLER. At the time the Director of the Bureau of the Budget testified before the House Ways and Means Committee in late May he stated that according to all the information he had the budget expenditure estimate for fiscal 1966 of \$99.7 billion was still a hard estimate.

The decisions that led to the acceleration of activities in Vietnam occurred in July and the President made his television address to the Nation on July 28. It was clear from there on, once those decisions were announced, that there would be some substantial increases in defense allotments.

We knew that an indeterminate amount of additional expenditures would be in the offing in fiscal 1966, but did not have any clear picture of what the order of magnitude would be until late in the fall.

Senator HARTKE. Well, you didn't have any idea before Congress adjourned, then, that there was going to be a necessity for raising additional revenue through some new tax measures?

Secretary FOWLER. It would be fair to say that before the Congress adjourned in the fall we were all conscious of the fact that there would be a substantial change in the expenditure pattern. Your question earlier related to the time of the excise tax action, which I think occurred in June. I was not aware at that time that there would be additional expenditures.

Senator HARTKE. What I am coming to is that you permitted us to go on and adjourn the Congress, after we had reduced excise taxes, and some of it to become effective on January 1, knowing full well that you were going to have to come back here and ask for additional revenue, ask for additional taxes. And yet you let us go ahead and go home with no warning and no statement whatsoever to indicate that we had a different situation, a different ball game.

Secretary FOWLER. Senator Hartke, I did not know whether we would have to have additional taxes. I knew there would be a substantially changed budgetary pattern. What the order of magnitude would be and to what extent it could be accounted for by reducing other expenditures were decisions which none of us were in a position to take until the budget was finalized in late December and early January.

Senator HARTKE. In other words, we are operating on this situation almost on a month to month or day to day basis, is that what you are trying to say?

Secretary FOWLER. No. We are operating on much more than that. We know now we are in a long-term picture. That long-term picture, so far as it can be seen, and with all the uncertainties in the situation that always accompany a war of this kind, is reflected in what the President said on page 10 of his budget message.

I won't read that just to belabor the record. But there it is. There is a great stress on the uncertainties inherent in the present situation. He says:

Because of the uncertainties inherent in this situation, the 1967 budget is designed to provide flexibility of response to changing conditions. In the new programs authorized by Congress in the last several years, we have an effective array of weapons to attack the major domestic problems confronting the American people in the fields of health, education, poverty, housing, community development, and beautification. The 1967 budget provides funds to press forward vigorously with these new programs. But because of the cost of maintaining our containment in Vietnam, those funds are, in many cases, less than the maximum authorized in the enabling legislation. Should our efforts to find peace in Vietnam prevail, we can rapidly adjust the budget to make even faster progress in the use of these new programs for the solution of our domestic problems. If, on the other hand, events in southeast Asia so develop that additional funds are required, I will not hesitate to request the necessary sums.

Senator HARTKE. My time is up, Mr. Chairman.

Senator LONG. Senator Bennett.

Senator BENNETT. Well, Mr. Chairman, I was one of those down at the White House. I have not had a chance to read the Secretary's statement, so that I really have no basis upon which to ask questions today, so I will pass.

Senator WILLIAMS. Mr. Chairman, I am going to make the suggestion—we have another witness here for the Telephone Association scheduled, and it's very clear we are not going to be able to finish the

hearings this morning. I suggest that the Secretary be asked to come back Monday. In the meantime, maybe today, we could go ahead and have this other witness.

Senator DOUGLAS. I appreciate the motive of the Senator from Delaware making the statement. But there are one or two small questions I would like to ask. I would not want to be foreclosed from asking them today.

Senator LONG. Here is the situation in which we find ourselves. We could seek to conclude the Secretary's statement today by asking consent of the Senate to meet while the Senate is in session, or by bringing the Secretary back as a witness after the Senate quits today, if the Senate should not give consent. That motion is debatable—and we don't want to hold up the matters before the Senate.

Now, there are some Senators who have plans that keep them from being here who would like to ask the Secretary some questions. I had hoped that we could dispose of all the questions Senators would like to ask. However, there are a number of Senators who cannot be here today and who would like to ask the Secretary some questions.

Senator Williams, as I understand, has a number of questions he wishes to ask the Secretary that would take considerable time.

Under those circumstances I suggest Senator Douglas ask his questions at this time, and then we will ask the Secretary to come back at 9 o'clock Monday morning. We can then proceed to hear the next witness.

So I will ask Senator Douglas to proceed.

Senator DOUGLAS. I would like to ask the Secretary whether General de Gaulle and the French authorities are continuing to demand gold in return for claims upon the American dollar.

Secretary FOWLER. Yes, Senator Douglas. Last year——

Senator DOUGLAS. I know about the last year. In the last few months has this policy been continued?

Secretary FOWLER. In the last few weeks——

Senator DOUGLAS. They drew out in the last year at least \$550 million.

Secretary FOWLER. Over \$800 million.

Senator DOUGLAS. And then Belgium, Holland, Portugal, and Spain drew out large sums, too.

Secretary FOWLER. Yes. My understanding is that the French are continuing to convert at the rate of around \$30 million a month.

Senator DOUGLAS. Now, I made a speech on the floor of the Senate 13 months ago calling attention to this and suggesting a number of steps, including military steps and economic steps.

No action was taken in response to these suggestions.

So I addressed a letter to all the policymaking agencies of the Government in the spring and received a reply which I take it was a composite answer from Mr. Douglas MacArthur III.

One of the simpler suggestions which at the time I thought could have been done was to stop grants and economic aid to these African countries which were formerly French colonies and which are still tied financially to France, and where expenditures of dollars find their way very quickly into French banks which are then deposited with the Bank of France and constitute gold claims against us.

Now, Mr. MacArthur turned that proposal down, presumably for the Government, in one sentence, saying that the need in these colonies was as great now as before and as great as elsewhere.

Now, I would like to ask you whether this might not be a simple way to help stop the gold drain? That amounts to approximately \$200 million a year.

Secretary FOWLER. Senator Douglas, in reply to your letter in October, I said:

With respect to the U.S. programs of aid to former French territories, we at the Treasury have urged State and AID to take into consideration the availability of economic assistance from France and access to French foreign exchange resources in determining the magnitude of U.S. assistance. I expect to urge that these factors be given still greater weight in the future.

Senator DOUGLAS. Do you know what the decision has been for the coming year?

Secretary FOWLER. I am not informed. I think that information would have to come more directly from Director Bell.

Senator DOUGLAS. This would be a very simple measure. It would not require congressional action. It could be done by administrative action. It could be done very quietly, without provoking international dissension.

I hope very much that this can be done.

According to my most recent figures, this would save \$200 million a year.

Now, there is another factor.

Is it not true that the banking facilities in South Vietnam are primarily controlled by the French, particularly the Bank of Indochina?

Secretary FOWLER. Senator Douglas, I am not informed on that question. Director Bell has an extensive mission in South Vietnam concerned with the economic program of the country. We have sent out Treasury representatives from time to time to make recommendations on particular issues, such as the use of military scrip. But I myself am not informed.

Senator DOUGLAS. I once went by the Bank of Indochina some years ago in Paris. I have never seen a more handsome and elaborate establishment in my life.

I know something about the way in which the Bank of Indochina dominated French politics, particularly through the so-called Radical Party.

Now, it is my understanding that the Bank of Indochina is still there, that the American dollars which are spent in Vietnam find their way into these banking institutions, primarily French, are transferred to Paris, and therefore become claims against the American dollar payable in gold.

Isn't that substantially true?

Secretary FOWLER. Senator, I think to some extent the payment for imports in dollars has that effect.

The one area that we are——

Senator DOUGLAS. Expenditures by American soldiers there.

Secretary FOWLER. This is what I wanted to come to. I recently had occasion to comment on this question in a letter to Congressman Mahon, in which he had referred to the use of scrip as used in World

War II. I informed Congressman Mahon that scrip has been used by our forces in Vietnam for nearly 6 months, having been introduced on or about August 31, 1965.

The desirability of the use of what is called military payment certificates was foreseen as our forces began to build up at about that time, and its use closely followed this military buildup.

I think the use of scrip is very desirable and is a warranted measure to cut down on the kind of flow that you have indicated. By the same token, I do not want to leave the impression that it is the panacea for all the exchange problems. There are other expenditures of dollars for goods and services administered by AID and by the military authorities which I can readily see would add to foreign exchange flows going back to other countries.

Senator DOUGLAS. The more money we spend in Vietnam, the greater drain upon our gold is likely to result.

Secretary FOWLER. It is my understanding that the AID agency has been conscious and aware of this and has tried to institute procedures designed to cope with it. How effective they are, how complete they are, how successful they are, would be a judgment that Director Bell would have to make.

Senator DOUGLAS. Have you considered the possibility of setting up an American bank which would have the exclusive right of accepting dollar claims so that these claims would not constitute potential and actual gold claims? In other words, we step in and try to replace the Bank of Indochina.

Secretary FOWLER. I cannot tell you, Senator, whether or not that particular measure has been considered. I do know that we had one of our ablest men go out to Vietnam last summer.

Senator DOUGLAS. I urge you to consider it.

Secretary FOWLER. I certainly will.

Senator DOUGLAS. Thank you very much.

That's all, Mr. Chairman.

Senator SMATHERS. Any other questions at the moment? If not, Mr. Secretary, we are going to excuse you until 9 o'clock Monday morning.

Senator HARTKE. Mr. Chairman, this doesn't exclude any further questions in the future, does it?

Senator SMATHERS. No. He's coming back Monday.

Senator HARTKE. I know. But I didn't want to have him come back Monday and have somebody say to me, "You had your chance on Friday."

Senator DOUGLAS. Mr. Chairman, there is one final comment I have to make, and that is on the purity of the English language, which I think should be guarded by Government departments as well as by Congress.

On page 18 of your statement, Mr. Secretary, you use the words "annualize" and "annualizing." One of the greatest corrupters of the language has been the bureaucracy. I have consulted the standard dictionary and the term "annualize" is very rarely used, and then not in the sense that you use it. I urge you to get your people to write good English, and if necessary to use two or three words to make the meaning clear, rather than these barbarisms which creep into the language. I mean that most sincerely.

Secretary FOWLER. Yes, sir.

Senator SMATHERS. On that note, we thank you, Mr. Secretary.

Senator WILLIAMS. Mr. Chairman, I would like to request the Secretary, when he comes back Monday, to be in a position to give what I hope will be an endorsement—at least an opinion—on some of the measures which I have called to his attention, amendments which I have proposed to this bill. They have a copy of them in their office. I would appreciate if when he comes back Monday he could give us a report on them at that time.

Senator SMATHERS. You understand what he is talking about? As Senator Douglas would say, let's make that clear.

Senator WILLIAMS. I would appreciate your comments Monday as to the merits of the amendments. I have examined them closely, and as I see it they are all noncontroversial—dealing with oil depletion and with one or two other matters. Perhaps we can clear it up Monday and reach an agreement.

Secretary FOWLER. I am sure we can.

Senator SMATHERS. In that connection, Mr. Secretary, would you be so kind as to have someone on your staff get us the number of tourists, as best they can, who traveled to France and how much money they left there?

I have a figure of 634,000 last year spending \$127 million in France. I don't know where it came from, very frankly. But I would appreciate having the benefit of your staff giving me their best estimate.

Secretary FOWLER. We will give you what information we have available on that.

Senator SMATHERS. Thank you, Mr. Secretary.

We will see you bright and early on Monday.

(See tables on pp. 106 and 107 for the above information.)

The next witness is Mr. William C. Mott of the United States Independent Telephone Association.

**STATEMENT OF WILLIAM C. MOTT, EXECUTIVE VICE PRESIDENT,
UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION**

Mr. MOTT. Mr. Chairman, I am Adm. William C. Mott. I am executive vice president of the United States Independent Telephone Association (USITA), a trade organization representing the non-Bell segment of the telephone industry.

I think I could perhaps best bring the scope of this association home to you by mentioning that in Senator Douglas' State of Illinois we have some 117 companies, and our companies cover 80 percent of the geographical territory of the State of Illinois.

Senator DOUGLAS. I am aware of that, Admiral.

Mr. MOTT. Your colleague, Senator Dirksen, happens to live in independent telephone territory.

Senator DOUGLAS. I am aware of what you say. I am not ignorant of what goes on in my State.

Mr. MOTT. Yes, sir.

In Indiana we have a similar spread, and maps have been provided to the Senators to show just where independent telephony is in the States.

In Florida we have some 18 companies, and I might say in the State of Utah we cover more geographical territory than the Bell System.

Senator DOUGLAS. Is this purely accidental, that you choose these particular States for identification?

Mr. MOTT. No, sir. We would be happy to go through the whole list. But I thought it might make more impression on those that were here.

Overall, we have some 10,760 exchanges to Bell's 6,670.

Now, I mention this, Senator Douglas, because it is important to note that these areas serve predominantly the smaller communities, the Nation's suburban and rural areas. Contrary to the statement that was made in the other body by a Congressman, when he said that the telephone companies will not pay the tax but will pass it on, so they do not care one way or the other whether this bill passes or not, I would like to make it perfectly clear that our telephone companies do care because the customers of our companies have a personal relationship to the company management.

It is not like the automobile business, where there is an amorphous mass of people who buy from one dealer one time and another one the next. Our customers are steady, and we like them to think that we do represent their best interests.

Now, Mr. Chairman, a witness is always in an unpopular not to say unhappy position when he has to come before a distinguished committee such as this one and oppose a recommendation of the President of the United States. This is particularly true when the country is in a state of national emergency which borders on war and a request has been made by the Chief Executive for funds to finance that war. No one in the independent telephone industry has the slightest desire to deny our Armed Forces in Vietnam all the funds they need to carry out the Commander in Chief's orders in that unhappy country.

Certainly I do not, because I have a son who is a first lieutenant in the Air Force in Vietnam.

But we at the United States Independent Telephone Association have read very carefully the administration's and President's rationale behind the reimposition of excise tax cuts—if you call it a rationale. In the first place, if you study the President's press conference where he answered questions on reimposition, you will see he does not have a very clear understanding of what is going to happen. In fact, he seemed to think that the tax is going to be put back only on long distance.

Unlike Mr. Fowler, who several times referred to decisions that were taken down at the ranch, we were not invited to the Pedernales to discuss this subject—even though an independent telephone company happens to serve Johnson City. I would like to make it clear that our companies were not in any way, so far as I have been able to find out, consulted about the President's plan.

Members of this committee know, of course, that this tax is to apply across the board, not just on long distance, and that the full burden of the 10-percent tax is to be reimposed on local service as well as long distance—in other words, across the board.

Our story to this committee is a simple one. It might be summed up by stating that in testimony before the House Ways and Means

Committee and the Senate Finance Committee just a few short months ago, administration witnesses leveled a devastating fire at "selective excise taxes" with pinpoint bombardment of the telephone excise tax as a selective excise which was particularly discriminatory, particularly regressive and absolutely indefensible. We fail to comprehend how a tax which could be labeled with such awful adjectives a few months ago could be turned from a sow's ear into a silk purse overnight. In fact, our protest comes before this committee while beneficiaries of the shortest tax cut in history are still celebrating the receipt of their first telephone bills carrying the excise tax reduction.

Thus, in the short space of a very few weeks, what was described in the words of the President as "a shining chapter in the legislative record of this Congress" has lost its gloss and its burnish in the eyes of our telephone subscribers. Moreover, it is difficult to explain to them—particularly our residence telephone customers—why it is that they stand virtually alone in suffering a total reimposition of the excise tax on an essential and necessary service. It is difficult because they do not understand why a service which everyone knows is necessary and essential should receive no tax relief while the racetrack goer, the cabaret habitue, the country club set, and buyers of jewels and furs are given complete excise tax relief.

Many of our telephone subscribers read the conclusions of this committee's report—No. 234, as printed June 14, 1965—which, among other things, said:

Many of these excises are objectionable in that they are regressive in their impact, absorbing a larger share of the low-income persons than those with higher incomes * * *. Your committee agreed with the conclusion of the House that the tax on local and toll telephone service and teletypewriter exchange service is undesirable as a permanent feature of our excise tax system. This conclusion was reached on the grounds, first, that these taxes are regressive and therefore fall with greater severity on those with lower incomes than those with higher incomes. Second, the charges for telephone service enter heavily into business costs. Therefore, the tax discriminates against those firms that must make extensive use of the taxed services.

If, in the words of this committee and in the words of the administration witnesses, the telephone excise tax was "regressive" and "discriminatory" then, it is more "regressive" and "discriminatory" now because: (a) It is still the only excise tax imposed on a public utility, and (b) the telephone user is now almost alone in being discriminated against.

I sincerely hope the members of this committee will share the views of their colleague, Senator Metcalf, of Montana—I spoke to him in the hall and received his permission without his being present to quote from a speech he gave just a few days ago out in Denver, to the National Telephone Cooperative Association. We have many cooperatives who are members of our association.

Senator Metcalf said:

I see no reason to change my attitude toward the telephone excise tax. I believe there are better ways to finance the increased expenditure necessary for Vietnam. The excise tax reduction should be permitted to continue as provided by Congress.

I have included in the record, Mr. Chairman, an editorial on this subject which I think is very clearly and precisely written, and in English that Senator Douglas would approve, from the Cleveland

Plain Dealer. I will not repeat the whole thing, because members of the committee have it. I will sum it up simply by stating one quote from it:

I hope enough Congressmen get their backs up and refuse to do it. There must be better ways to raise the dough.

Mr. Fowler, the Secretary of the Treasury, in his statement before this committee in 1965, said:

Excise taxes, unlike income taxes, impose burdens on those whose income is below the level of their personal exemptions and deductions. The present excise tax reduction program will lighten the burden of regressive taxation on low- and middle-income people. A great deal of the revenue involved comes from extremely regressive taxes, which are a heavy burden on low incomes. These include the taxes on telephones, automobile parts and accessories, toilet preparations, and most of the household appliances.

Now, we are not here to repeat at great length facts which you already know and which have been stated time and time again. We are bewildered and perplexed as to why Mr. Fowler, who has preceded me at these hearings and who was about as condemnatory of the excise tax as anybody could be, now comes back to your committee and tells you it is right to reimpose the tax.

As a matter of fact, Mr. Fowler's statements and Mr. Fowler's testimony reminds me of a line from Mr. Emerson's essay on "Self Reliance". The line goes something like this.

Speak what you think today in words as hard as cannon balls, and tomorrow speak what tomorrow thinks in hard words again, though it contradict everything you said today.

Now, I suppose he could come back and quote to me that a foolish inconsistency is a hobgoblin of little minds. But he would still leave me perplexed about his various positions.

I do not envy the Secretary of the Treasury's position.

As members of this committee will note, Mr. Fowler's position last year was that the burden of regressive taxes—and the telephone excise tax certainly is regressive—falls heaviest on the poor. Are these the people we wish to have bear the greatest burden of financing the war in Vietnam? Because that war is what this tax is being tied to.

One of the 2,400 telephone companies which I represent serves some 12,000 telephones through 13 small exchanges, all of which are located within the submarginal section of the United States designated as Appalachian. It happens to be in your neighboring State, Senator Smathers, of Georgia, and is well known to Senator Talmadge.

Nine thousand and ninety-three of these telephones are in residences, some 6,000 of which are located outside municipal corporate boundaries. It is ironic that the Federal Government should expend huge sums trying to lift the economic status of these people so that they might obtain the benefit of this essential commodity, and then apply a penalty equal to 10 percent of the cost if the citizen avails himself of this essential service.

More than one-half of the households with telephones in this country have incomes of less than \$6,000 a year and one-fifth have less than \$3,000 per year. Thus, the excise tax digs deepest into the pockets of the poor and the near poor. These are the people at whom the much advertised "war on poverty" is directed. The reimposition

of the excise tax may well make the difference between these families having or not having a telephone. That clearly is why this committee labeled it a regressive and discriminatory tax. We heartily agree, and we do not think that the passage of a few weeks can change the character of a regressive tax into one which is progressive. Moreover, to burden low-income families with a discriminatory excise tax is a consummate inconsistency with the objectives of the Great Society.

The basic reason given by the administration for the reimposition of the telephone excise tax is to finance the increased cost of the war in Vietnam. The suggestion has been made that it might be unpatriotic of affected industries to resist reimposition of the tax. In that connection, I just want to say that the managers of our independent telephone companies are among the most patriotic people in the land. Many of the members of the board of directors of the U.S. Independent Telephone Association have distinguished war records in the service of our country.

They would be among the first to make sacrifices in the interest of national security. They are, however, in this instance, representing their customers—and make no mistake about it—the excise tax is a tax on telephone users—not on telephone companies. We merely—and I might say reluctantly—collect the levy and pass it on to the tax thinker-uppers.

I would like at this point to digress, Senator Hartke, and point out to you that there is a great burden on our telephone companies. Many of your companies in Indiana, for instance, have written in and pointed out that they had to reprogram this whole tax on their IBM machines and go to the expense of so doing. Then immediately, almost before they could get the machines going, they will have to go back and reprogram it again at another expense.

Another thing that happens to many of these companies—and I wish Senator Fulbright was here, because one of the worst examples I know of is in the State of Arkansas, with the Allied Telephone Co. Here is a company that took ads in the local papers in Arkansas entitled “Uncle Sam reduces your telephone bill.” Then, because the law in Arkansas requires it, they went to these people, these rural people, and said, “We would like to increase your service, to better your service, for approximately the same amount of the excise tax. Now, in order for us to do this, it is going to cost us half a million dollars, which we will have to raise.”

So they went before the city councils, which is also necessary in Arkansas, and pointed out to them that they could put in four-party service for eight-party service, and two-party service for four-party service, without any increased cost because the excise tax would make up the difference.

Now, after having ripped out all the lines and invested the half million dollars, they are going to have to go back to the people and say “so sorry, our information was wrong and you are going to have to go back and pay the same rate that you paid before.”

So this is the way that this is a burden on our companies. They feel as though—the customers do—the company has somehow broken faith with them.

I do not mean to suggest that some of the burden of the excise tax does not fall upon the telephone company—it does. For instance,

most of our telephone companies are fully automated. Whenever a change in the billing becomes necessary they have to reprogram at considerable expense to themselves. They have just finished paying the bill for reprogramming when the tax was reduced from 10 percent to 3 percent and they now find themselves faced with the same expense for reprogramming back to the original level. Furthermore, many telephone companies when their subscribers were relieved of the burden of excises made extensive capital investment to bring better service. They were able to do this by convincing their customers that they could afford this better service by reason of the lowered excises. Now, many of them are put in the position of having broken faith with their customers by actually having to raise the rates.

And so, Mr. Chairman and members of the committee, we, the officers, directors, and members of the United States Independent Telephone Association wish to go on record as being unalterably opposed to this proposed shifting of an inequitable share of the tax burden upon the low-income groups. We feel strongly that this actually is a specialized discriminatory sales tax, imposed upon 55,000,000 telephone customers. It largely hits those who can least afford to pay it. It hits the small farmer, the small businessman, the laborer, the white-collar worker.

The importance of the telephone to farmers and others who live in rural and submarginal areas, cannot be underestimated. The telephone in this modern and complex world is not a luxury but an absolute necessity—almost as necessary as the air we breathe. Its importance to civilian morale in time of war cannot be over emphasized. In fact, I know of no single instrument which is more important to the war effort at home and abroad than the telephone. The telephone is just as important as guns and/or butter.

And so we ask, why this sudden switch? Why this unseemly haste to sacrifice the telephone—using public upon the altar of fiscal and political expediency? Why us?

I would not be so presumptuous as to advise the members of this committee in what areas the President's budget might be pared to make the reimposition of excise taxes on telephones unnecessary, nor would I be so foolish as to suggest the kind of tax which would be most equitable to impose should it be decided that the country needs more revenue to carry on the war in Vietnam. I do say, however, that a tax which you yourselves have labeled as regressive, which the Secretary of the Treasury has labeled as regressive, and which the President has labeled as regressive, is not the one you should sanction or select. Millions of telephone subscribers look to you to do what is fair and equitable and to eliminate what is discriminatory and regressive.

To sum up, Mr. Chairman, the excise tax on telephone service has been "temporary" for 25 years. Eleven times the Congress of the United States has imposed this tax and temporized by extending it.

To repeat the punchline from Mr. Porter's hard-hitting editorial in the Cleveland Plain Dealer, "There must be better ways to raise the dough."

If this Congress reimposes the full excise tax, it will be the 11th time it has done so.

This cartoon, done by Art Wood, the gentleman present here, shows a cat with a stone around its neck coming back for the 11th time, after having been drowned by the Congress.

You cannot blame our telephone users for feeling that the promise to life the tax in the future is an empty one. They cannot understand why excise tax relief has been given to the customers of electric utilities, to those who use transportation facilities and the whole host of other users of products formerly taxed and not to them. Frankly, it is very difficult for us to find adequate and logical reasons to explain why they are so discriminated against.

If we must find more money to prosecute the war in Vietnam, to prosecute the war on poverty and other domestic programs which the Congress may agree with the President are essential, I would hope we could face up to the issue and impose those taxes necessary to meet the cost. They should bear across the board and not penalize one segment of our society—especially the low-income segment.

I would hope that this committee would take a long, hard look at any recommendation to reimpose a tax which it and the administration already have labeled as both discriminatory and regressive.

I have a great many letters from companies in your particular territories, some of them addressed to Senator Hartke and other members which, incidentally, we had nothing to do with originating, which expressed great bitterness on the part of the companies that this tax is being reimposed.

Mr. Chairman, that concludes my formal statement.

Senator SMATHERS. All right.

Thank you, Admiral.

Senator Hartke, do you have any questions? Senator Bennett?

Senator BENNETT. No questions. I would be curious to see some of the letters—and of those letters that you have that came from Utah.

Mr. MOTT. We would be glad to.

Senator BENNETT. Are you going to submit them for the record?

Mr. MOTT. If you wish.

Senator SMATHERS. You are talking about the ones he already has—not the ones he might get.

Mr. MOTT. I do not know whether we have anything from Utah or not.

Senator BENNETT. Are you going to make a request that the letters that you have with you today be submitted for the record?

Mr. MOTT. I was not; no, sir.

Senator BENNETT. Then I would appreciate it if you would thumb through them and let me take a look at any that may have come from Utah, if you have any.

No other questions, Mr. Chairman.

Senator SMATHERS. The letters have not come to you.

I was telling the admiral outside that I was one of those who voted to take the tax off, and I never got the first letter thanking me for it.

Mr. MOTT. We understood that Mr. Galloway had written you a letter thanking you, Senator.

Senator SMATHERS. Well, I have not seen it.

In any event, that is neither here nor there.

Senator Hartke.

Senator HARTKE. There is one question that I would like to ask with regard to a statement of the Secretary that this really does not have an added cost to the company for there really is no technical change required. I have forgotten the words the Secretary used.

You made the point this is not true.

I do know from going out to visit one of these telephone companies—they showed me exactly what was involved, and they wanted to know who was going to pick up the bill. I said I thought the telephone companies just have to, because I was not in favor of passing out any subsidy to the telephone company to pay the bill of changing it over from one system back to another.

Now, the change has been made, has it not?

Mr. MOTT. Yes, sir.

Senator HARTKE. And now they have to change back.

Mr. MOTT. Yes, sir. I think perhaps I can best answer that question by quoting from a letter from a little company in your own State which I happen to have with me. The letter comes from Hugh Barnhart, who is the president. It is a small company, serving Rochester, Ind.:

We changed our mailing plates to take care of the new tax and now we must replace them all with new ones. The two changes cost our company approximately \$2,000. And the worst part of it is that we must accept the complaints of our subscribers which will be far from pleasant.

These subscribers bear a continuing and a permanent relationship to us. And they have a tendency to blame the telephone company for these things.

I have many other letters to that effect. One is from the Hoopston Telephone Co. in Illinois, which happens to be in Senator Douglas' State, in which they point out the expense they went to in re-automating.

Senator HARTKE. It is sort of a selective sacrifice; is it not?

Mr. MOTT. Yes; it certainly is, Senator Hartke.

Senator HARTKE. As far as the war is concerned—you point out other places that we could go to, and we could find other sources of revenue. Frankly, the amount here involved at the best estimate is a little over a billion dollars; is that correct?

Mr. MOTT. It depends on what the Senate does, Senator. There are various ways of handling this. Sometimes in the military we learned it was always good to have a fallback position.

Now, if you take off the whole tax in 1 year it would amount, I believe, to some \$780 million. We estimate that that probably would go up to \$1 billion in 1968. But if you were to give relief to the residential phones only, these are the people who are hurt more than the others—it would only cost about \$350 million a year.

Businessmen, many times, can find ways to charge off these taxes as a cost of doing business. But the farmer in the country and the man in the rural area cannot do that. He gets stuck with it. And sometimes it is in this area where the tax is the highest.

I had a letter from a company official in North Dakota, for instance, that happened to be a co-op. We pointed out that eight-party service, because of the great expense of bringing it to the country, cost \$8 a month in that part of the country, whereas in the city they only pay \$4.

But the farmer had to pay an extra 80 cents now with the tax going back up to 10 percent. It is an unusual and high penalty on those in a low-income area. Incidentally, those telephones were subsidized by the Federal Government. The Federal Government lent 2-percent money to these people so they could bring telephones into this area, and then it turns around and taxes the same people 10 percent.

Senator HARTKE. Personally, I would like to see us have an over-all plan of taxation submitted and not do this in bits and bites, and certainly not come back to a tax just repealed last summer, which in my opinion if we had had the proper type of communication between the departments of the Government we probably would have not taken off in the first place.

Mr. MOTT. Well, I do not think they have the slightest idea in the Treasury Department, Senator, what the effect of this tax is on the telephone companies, because they never asked us. They just went ahead and did it and said this was not going to cause any trouble because the telephone companies could just reimpose it and nobody would be hurt.

I would like to point out this is just not true.

Senator SMATHERS. Admiral, on that particular point, as I gather from your testimony you are making, I think, a very effective and certainly a very eloquent appeal for the little farmer and the little businessman and the housewife which would demonstrate what the Treasury Department does say, that you people pass this tax right along. In other words, you pass the tax on. You do not assume the tax, the telephone company.

Mr. MOTT. That is correct, we do not assume the tax. But on the other hand we consider that we bear a special relationship to our customers, and we feel that this is an undue burden on them, and if this tax—

Senator SMATHERS. You do not feel that sufficiently to where you would assume the burden of the tax yourself.

Mr. MOTT. That is up to the Congress.

Senator SMATHERS. I know. I just want to get clear this great feeling that you have for these people. You have not felt it strongly enough to sort of share this tax burden.

Mr. MOTT. I think our tax burden is very heavy already, Senator. We contribute about \$4 billion a year.

Senator SMATHERS. In order to keep the record straight—I am not unsympathetic with what you are saying. But to keep the record straight, you do pass the tax along.

Mr. MOTT. That is correct.

Senator SMATHERS. The second point I would like to get clear is that this tax not only hits rural people using independent systems, but it hits the people under the Bell Telephone System as well, all over the Nation.

Mr. MOTT. That is correct.

Senator SMATHERS. Even people who go to racetracks and cabarets, and all that, they also pay the telephone tax.

Mr. MOTT. Yes, sir.

Senator SMATHERS. So this is probably about as broad scale a tax as you could get; is that correct?

Mr. MOTT. Well, of course—yes, I would say it is a broad base. But you could make it a great deal broader if you were to go to a low scale broad base general excise tax.

Senator SMATHERS. On income tax or State sales tax. But then again we would have people making the same argument, except it would not be the telephone company then—it would be the consumer groups themselves.

However, I do not want to argue.

The third point I want to make is this.

You are regulated by a local public utility, State public utility commission they call it in some States.

Mr. MOTT. Yes, sir.

Senator SMATHERS. And they pretty much set your rates, do they not?

Mr. MOTT. Yes, sir.

Senator SMATHERS. Now, when you have a hardship, having instituted one program and then having a few months later to have to reinstitute another—you will go before the public utilities commission, will you not, and ask for consideration of that hardship and probably an increase in rates, or maybe some better chargeoff operation than you previously had, will you not?

Mr. MOTT. Well, it depends on the situation, Senator. Normally I would say that this might happen. I would like to point out that in answer to that question there is what is known as a regulatory lag in this business. Sometimes it takes a couple of years to get that accomplished. And then who knows, Mr. Fowler might be back up with another tax proposal.

But the point is that there is a point of no return, or a point of diminishing return in these rural areas, Senator, in a place like Arkansas, to go back to the Allied Telephone Co. example again—those people are hard put to decide whether or not they can afford telephone service at all.

I have been out there and talked to them.

This might really make the difference.

It might be hard for people here to conceive, but it might really make the difference as to whether or not they have a telephone or do not have a telephone—a tax like this.

Senator SMATHERS. I thought your complaint was that this is going back on. You were talking about people who already had telephones.

Mr. MOTT. That is correct, sir.

Senator SMATHERS. You are not talking about people who are thinking about getting a telephone for the first time.

Mr. MOTT. I am talking about them, too, because the effect of putting this excise tax on here may slow up the development, which is something that all telephone companies try to do—to expand their telephones. Furthermore, if the tax is too heavy, you can just call the company and disconnect.

Senator SMATHERS. Senator Bennett.

Senator BENNETT. Mr. Chairman, I am looking at the law which imposed the tax originally, which we are about to take off, and that law specifically requires the taxes imposed by this section shall be paid

by the person paying for the services. So it is not fair to say that the company decides whether they are going to charge the tax or not charge the tax. The law requires them to charge the tax.

Mr. MOTT. I never suggested——

Senator BENNETT. No. But I thought that the discussion, some of the questions would indicate that there was a choice. There is no choice.

Mr. MOTT. That is correct.

Senator BENNETT. The person must pay the tax.

Mr. MOTT. That is correct.

Senator SMATHERS. My only question directed to the admiral was whether this was really tough on the small companies, that was the burden of his argument. But then, he argued about the fact that the Treasury's position was that the tax was passed along anyway. That was the whole point. That the tax was passed along.

Mr. MOTT. Yes, sir.

Senator BENNETT. Required by law.

Mr. MOTT. Yes, sir.

Senator SMATHERS. All right.

Thank you very much, you made an excellent presentation.

The committee will stand in recess until 9 o'clock Monday morning.

(Whereupon, at 12:30 p.m., the committee recessed to reconvene 9 a.m., Monday, February 28, 1966.)

TAX ADJUSTMENT ACT OF 1966

MONDAY, FEBRUARY 28, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 9 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Smathers, Anderson, Douglas, Gore, Talmadge, McCarthy, Hartke, Metcalf, Williams, Bennett, Curtis, and Dirksen.

The CHAIRMAN. Mr. Secretary, we are happy to see you are here on time today. As a matter of fact, it is not quite time according to our clock to open this meeting, but according to my watch, it is.

At the moment, Mr. Secretary, I don't believe I have any more questions to ask, although some may occur as the hearing goes along. Senator Williams had a number of things he wanted to inquire into. Senator Williams?

STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY; ACCOMPANIED BY STANLEY S. SURREY, ASSISTANT SECRETARY FOR TAX POLICY—Resumed

Senator WILLIAMS. Mr. Secretary, I noticed in your statement on page 1 you make this quotation, and I would like to read it:

There are times when rapid action on tax legislation is needed. This is particularly true in the present case. Each passing day makes it harder for us to reduce the deficit for fiscal 1966 and much delay could lower our ability to reduce the deficit in fiscal 1967.

What is the urgency of this particular bill that it should be enacted so quickly?

Secretary FOWLER. Senator, the projected administrative budget deficit for fiscal year 1966 as set forth in the President's budget message is \$6.4 billion. The enactment of this bill by March 15, the date suggested in the President's letter to Chairman Mills and Chairman Long, would make it effective in time to reduce the fiscal 1966 deficit by approximately \$1.2 billion.

Moreover, I believe the prompt enactment of the bill would enable those who are going to be affected by the corporate acceleration provision to begin what will be a necessary review of their investment program and their cash flows to determine whether or not certain projected marginal investments should continue to be planned for, or whether they should be set aside in view of the cash requirements ahead. If

individual corporate managements determine that they should move ahead, they may wish to make arrangements for financing in the light of the fact there will be substantial increases in the corporate payment schedule in April and June of this year, and then, of course, again in the spring of 1967.

Senator WILLIAMS. Now, in the President's budget message he estimated the deficit as \$6.4 billion.

Secretary FOWLER. Yes.

Senator WILLIAMS. I understand that the enactment of this bill was taken into consideration in assuming that figure.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. That is correct.

Secretary FOWLER. Yes. There is a real emphasis here for accelerated action.

Senator WILLIAMS. In other words, if we don't enact it the deficit would be, based on that computation, \$7.6 billion?

Secretary FOWLER. Precisely.

Senator WILLIAMS. I want to clear up whether the \$1.2 was to reduce the \$6.4 or whether it could be added to if it were not enacted?

Secretary FOWLER. We hope to reduce what would otherwise be the deficit by \$1.2 billion.

Senator WILLIAMS. Then in reality the deficit for 1966 is \$7.6 billion based on those figures except for this one-shot operation which is provided in this bill to reduce it?

Secretary FOWLER. That is right. Based on the computations at the time the budget message was presented.

Senator WILLIAMS. While we are discussing the budget I would like to get straight the amount of the 1967 deficit. The \$1.8 billion projected deficit of the President for 1967 was made on the assumption that this bill would be passed; is that correct?

Secretary FOWLER. That is correct.

Senator WILLIAMS. Now, in the 1964 act, we had accelerated the corporate taxes payments whereby you would pick up, even without the enactment of this legislation, I believe it is \$1.3 billion; is that correct?

Secretary FOWLER. The proposed acceleration under present law would be \$1.8 billion.

Senator WILLIAMS. That is \$1.8 billion?

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. This bill will add to that, how much?

Secretary FOWLER. This bill will add—we are now talking fiscal 1966.

Senator WILLIAMS. No; fiscal 1967.

Secretary FOWLER. I will correct that \$1.8 billion figure. Under present law, the acceleration would have added \$2.2 billion in fiscal 1967. The proposed bill would make that figure \$5.4 billion, or a net addition of \$3.2 billion.

Senator WILLIAMS. \$3.2 billion. That is \$5.4 billion altogether that is nonrecurring income that will be added in the fiscal 1967 budget as a result of the 1964 act and this act which is now pending; is that correct?

Secretary FOWLER. That is correct.

Senator WILLIAMS. And again this is a one-shot operation; is that not true?

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. And it is not only a one-shot operation but there is no possible mathematical way whereby this could be repeated in years to come as another one-shot operation?

Secretary FOWLER. No, sir.

Senator WILLIAMS. This is done, once we pass it?

Secretary FOWLER. That is right.

Senator WILLIAMS. And that is \$5.4 billion that is being brought in, has been taken into consideration in arriving at the \$1.8 billion figure.

Secretary FOWLER. The \$1.8 billion figure, Senator, has to do with fiscal 1966. Under present law, in fiscal 1966, the Treasury gets \$1.8 billion by reason of the acceleration the Congress have already voted.

Senator WILLIAMS. I am not speaking of that. I am speaking of the projected deficit.

Secretary FOWLER. I beg your pardon. Yes, sir; that is right.

Senator WILLIAMS. The President's estimate for 1967 was \$1.8 billion.

Secretary FOWLER. I am sorry. That is right.

Senator WILLIAMS. That was the projected deficit, and if it were not for these one-shot operations which are being put into effect at this time, which, in effect, is borrowing on the taxes that would normally be collected in the 2 or 3 years ahead, without borrowing those and bringing them in this year, your deficit would be \$7.3 billion; is that not correct?

Secretary FOWLER. I believe that is approximately correct, Senator.

Senator WILLIAMS. Now, let's proceed further. The extra profit that is accruing to the Treasury as a result of this coinage, I understand, is around \$2.5 billion.

Secretary FOWLER. The figure for seigniorage for fiscal 1967 is estimated at \$1.57 billion. For fiscal 1966, it is \$902 million.

The total for the 2 years, 1966 and 1967, is \$2.5 billion.

Senator WILLIAMS. Then in reality a billion dollars of that accrues in 1966?

Secretary FOWLER. That is right.

Senator WILLIAMS. And if we put that over on 1966, then our deficit for 1966 is \$8.6 billion.

Secretary FOWLER. Approximately.

Senator WILLIAMS. \$8.6 billion deficit for 1966, and adding \$1.5 billion to the 1967 we have an \$8.7 billion deficit?

Secretary FOWLER. Approximately.

Senator WILLIAMS. Now, the withholding rates you are picking up you estimate, I understand, at \$400 million; is that right?

The House bill may have reduced that somewhat, but in the budget it was projected on the basis that you would pick up \$400 million; is that correct?

Secretary FOWLER. That is right.

Senator WILLIAMS. So looking at it from the standpoint of the expenditures of the Government as related to the income of the Government, and disregarding momentarily these one-shot operations as

I understand the deficit for 1966, we have it now at \$8.6 billion, and the deficit for 1967 is \$9.1 billion.

Secretary FOWLER. I wouldn't look at it that way, Senator. If you are going to count out these so-called one-shot nonrepetitive operations on the revenue side of the ledger, you also have to look at the expenditure items.

Senator WILLIAMS. I just——

Secretary FOWLER. For example, I call your attention to the special analysis on page 59 of the President's budget message. There are projected expenditures in repayable loans in fiscal year 1967 of \$8 billion. I think if you are going to count on one side of the ledger, you should also count on the other side. So I can't agree that this particular budget represents a \$9 billion deficit by this kind of reasoning.

Senator WILLIAMS. Well, I am just speaking of the administrative budget as we have always figured it.

Secretary FOWLER. I am speaking of the treatment of loans as we have always treated them. This budget is prepared, Senator Williams, in exactly the same way as in previous years. These items are treated in the same manner as we have always treated them. This is a characteristic of the budgets going way back.

Senator WILLIAMS. I am not questioning that. I am not quarreling with what you did. I am just trying to establish the record. I want to get a clear picture here because there are many people asking the question. I am getting asked that. If we are only confronted with only a \$1.8 billion deficit in 1967 as compared with the \$6 billion or \$8 billion deficit in 1966, what are you getting so concerned about in raising taxes? What I am trying to get across is the fact that we are not confronted with a \$1.8 billion deficit in 1967, but rather you have a \$9 billion or \$10 billion deficit. That is what I am trying to get cleared up here. I might say in the beginning that I expect to be supporting this bill. I am not quarreling with what you are doing, but I want to make it clear that what we are doing is only a one-shot operation. We are not correcting the real problem; namely, expenditures running so far ahead of our income. We would have now a difference in our expenditures and income in 1966 and 1967 of \$8.6 billion and \$9.1 billion deficit in the 2 years 1966 and 1967, if it were not for these one-shot operations.

Secretary FOWLER. Yes, Senator. I would like to add that the purpose of this bill is to finance the increased cost of the war in Vietnam. Whether that war is a 1-year proposition, a 2-year proposition, a 3-year proposition, or what the period will be, no one knows. It is completely unforeseeable. I readily agree with you that the method of financing the cost of the war incorporated in this budget, such as taking advantage of the acceleration of corporate collections and the other operations you characterize as one-shot operations, could not be repeated again next year.

In fiscal 1968, if the war continues, we will have to apply the fiscal dividends—the additional revenues that are the consequence of the additional growth of the economy—toward defraying the expenses of the war.

Senator WILLIAMS. Now you are getting to the point that I wanted to reach. After you apply those additional revenues and you still

have a \$9 to \$10 billion deficit, what will be your answer to the solution next year, because then you will not have the one-shot operation to fall back on?

Secretary FOWLER. First, one would have to look at the extent to which the cost of the war continued, increased, or declined. One would also have to determine what the projections for revenue from increased growth are—which might range somewhere around \$7.5 billion. They might be lower, or as is the case this fiscal year, higher than that. If those fiscal dividends were not adequate to finance the war, then one would have to ask for additional revenues.

Senator WILLIAMS. You have answered my question in the last half dozen words. As I gather it, the administration is planning to ask for a tax increase after the 1966 congressional elections.

Secretary FOWLER. No, sir. We have no specific plans as to when or if there would be an increase. As I have indicated, the decision as to whether or not there would be a necessity for additional revenue sources would depend upon whether the fruits of economic growth would be adequate to finance the expense of the war.

Senator WILLIAMS. The President was quoted in yesterday's paper from his press conference of Saturday that it was going to be a long, hard war and that we would have to prepare for it. I am wondering if, from a fiscal standpoint you aren't running on a year-to-year basis and that this pending bill is projected on the basis that the war will be over and everything will be normal at the end of this fiscal year. I don't think it will be and I don't think that the administration thinks it will be, but I don't think that you are facing up to the problem with which you are confronted because by your own figures today you have got a \$9.1 billion deficit for 1967 that you are curing with a one-shot operation, but when you move over into 1968, even if business level remains the same, no acceleration of the war, everything moving as it is now, you move over into an \$800 million a month deficit.

Secretary FOWLER. That depends also, Senator Williams, on what the Congress does this year in the appropriation process.

It depends upon what kind of a budget expenditure level the President develops in January of 1967 for fiscal year 1968. These variables enter into the situation. It is impossible to sit here now and predict what the combination of those figures will be.

Senator WILLIAMS. One other point I wanted to get straight. As we sell or liquidate the assets—and you have in this budget a program to liquidate some of the assets—as we sell these FNMA mortgages and mortgages from Small Business Administration, those funds are included into the Treasury and as spendable funds, is that correct, and to the extent that you sell a billion dollars worth of FNMA mortgages it reduces the necessity of borrowing that extra billion dollars and it also reduces the necessity of raising taxes? In other words, it reduces your reported deficit, is that not true?

Secretary FOWLER. It reduces the deficit, Senator, very definitely. However, this is a budgetary and administrative practice which, as you know, has been followed for a number of years under three administrations.

Senator WILLIAMS. Yes, and it was criticized by the Treasury Department heretofore as being a more expensive method of financing the debt.

Secretary FOWLER. I recall your colloquy with Secretary Dillon on February 27, 1963—well, I don't know whether that is the exact day. It was about that time.

Senator WILLIAMS. That is about the time.

Secretary FOWLER. At that time, Secretary Dillon drew a distinction which, as you said, you couldn't get over the fence with him at that time.

Senator WILLIAMS. That is right.

Secretary FOWLER. The distinction he drew was between a forced liquidation of these assets regardless of timing and circumstances—in order to stay within the debt limit—and a conscious, purposeful liquidation of the assets in order to carry forward a policy, which three administrations have espoused, of bringing in the private credit machinery to help defray these particular kinds of—

Senator WILLIAMS. I recall that colloquy very well. The point that I am trying to make, and I want to establish again is that, to the extent that you sell a billion dollars worth of these mortgages, that has the effect of reducing your projected deficit at the same time, does it not?

Secretary FOWLER. It also relates to the extent to which you make new loans at the time. For example, let's look at this picture in fiscal 1967. I am glad you raised it because I think—

Senator WILLIAMS. I knew you would be glad I raised it. That is the reason I did it for you.

Secretary FOWLER. Another side of the ledger has been taken into account. The net impact of Federal loans in 1967 is expected to lower the aggregate budget expenditure by \$2.5 billion since a \$2.2 billion expansion in Federal lending partly offsets the direct and participation sales projected of \$4.7 billion.

Furthermore, these loans represent only a part of the Federal Government's purchase and sale of assets provided for in this budget. When you take into account the loans, financial investments, and non-financial investment outlays of about \$20.9 billion, that are in the budget, you will find that the net contribution of this particular group of loans to the 1967 budget deficit is not quite that generally represented.

Senator WILLIAMS. Well, as I was saying—

Secretary FOWLER. I wish Senator Long, the chairman, were here because he sometimes engages me in conversation about the way we keep our books. He thinks we present far too pessimistic a picture in terms of the so-called capital items acquired by the Federal Establishment.

Senator DOUGLAS (now presiding). Since I am substituting for Senator Long, I wonder if the Senator from Delaware would permit me very inadequately to express my views.

Senator WILLIAMS. Surely.

Senator DOUGLAS. You charge as a current expenditure all capital outlays, do you not?

Secretary FOWLER. That is correct.

Senator DOUGLAS. A.T. & T. doesn't do this, does it?

Secretary FOWLER. No, sir.

Senator DOUGLAS. If A.T. & T. were to charge capital outlays as an operating cost, would it not have shown a deficit virtually every year since 1945?

Secretary FOWLER. I think that would be the case, Senator Douglas.

Senator DOUGLAS. Yet by their system of not counting capital investment as an operating cost, they show a handsome profit and it is a blue chip stock, is it not?

Secretary FOWLER. That is very true.

Senator DOUGLAS. I think the United States of America, if I may use a vulgar expression, is a blue chip stock, too.

Secretary FOWLER. I would certainly suggest that this other side of the ledger, the fact that in this projected budget we are acquiring about \$20 billion worth of assets, should be taken into account in an analysis of this sort.

Senator DOUGLAS. When these purchases are made, they are counted as an expenditure and as a deficit?

Secretary FOWLER. They are.

Senator DOUGLAS. My good friend from Delaware would not have them counted as an asset when they are sold, isn't that true?

Secretary FOWLER. Well, he would have to speak for himself.

Senator WILLIAMS. I haven't reached any point about them not being counted as an asset. I have oftentimes said that we need a little more intelligence in reporting Government business as related to the budget. But since we are comparing the Government with A.T. & T. as it filed its financial statements, that company also lists its accrued liabilities, does it not, Mr. Fowler? The Senator from Illinois failed to mention these.

Secretary FOWLER. I am not too familiar with the way they treat——

Senator WILLIAMS. A few moments ago you seemed to be familiar with the manner in which——

Secretary FOWLER. I am very familiar with this particular point.

Senator WILLIAMS. Certainly we are all familiar with that point. But any company, A.T. & T. or any other company when it files its financial statement, do they not also in reporting that financial statement at the same time file its accrued liabilities, liabilities for which it is definitely responsible, its debts and its accrued debts? Is that not a part of any financial statement? Surely these cannot be overlooked.

Secretary FOWLER. I think——

Senator DOUGLAS. I think the record should show that the debt of the United States is approximately \$321 billion and that the assets in real property and personal property on the basis of original cost, without allowance for depreciation, as of last June 30, was approximately \$325 billion.

Secretary FOWLER. They would take into account, Senator Williams, as you have suggested, accrued liabilities.

Senator WILLIAMS. The companies would take into account accrued liabilities just the same as if they were going to take capital accounts into the Government. To speak of capital accounts and omit liabilities is misleading. What about the \$40 billion deficit in the retirement fund of the Government.

Now, I appreciate the Senator from Illinois prompting you on your answer, but I think his response is a reflection on the Secretary. I believe the Secretary knows the answer to these questions and can speak for himself.

Secretary FOWLER. I wanted to be sure——

Senator DOUGLAS. The Secretary is able to answer. This is just due to my inveterate tendency to rush into a fight.

Senator WILLIAMS. I welcome the intrusion, but it may appear to be an indication that the Senator from Illinois doesn't think the Secretary is able to answer the question.

Secretary FOWLER. I am always glad to have any technical assistance, Senator Williams.

Senator DOUGLAS. It is my propensity to rush in where angels fear to tread.

Senator WILLIAMS. To get back to the question, to the extent you sell these assets, they are used to reduce the reported deficit to the Congress and reduce the amount that you have to borrow; is that correct?

Secretary FOWLER. Yes, Senator. In the same way that when we make additional loans they are treated as expenditures and——

Senator WILLIAMS. You said that before. Then the answer to the question is "Yes"; is that correct?

Secretary FOWLER. I answered the question, "Yes."

Senator DOUGLAS. I think the Senator from Delaware is paving the way for a very happy agreement in the future, getting the budget on a capital basis. We should have a capital budget with the capital investments, and repayments isolated from the operating costs. We have made a great step forward, but I hope my good friend from Delaware will follow through on the logic of what he said.

Senator WILLIAMS. Again I appreciate the Senator from Illinois helping the Secretary of the Treasury, but I suggest that the Secretary is well able to answer without your assistance.

Senator DOUGLAS. I am not trying to help the Secretary. I am just trying hinder you, John.

Senator WILLIAMS. I don't at all mind being hindered. I have got all day and tomorrow, and your interference will not prevent me from establishing the true deficit for 1966 and 1967.

To get back to the subject. Now, capital assets that you are planning to sell in 1967 amounts to \$4.7 billion. Has your sale of those assets been accelerated, or has it been reduced as compared to prior years?

Secretary FOWLER. It has been increased as compared with prior years.

Senator WILLIAMS. By how much, and what has been the sale of these capital assets over the past 3 to 5 years, in each of the years?

Secretary FOWLER. As I recall it, in the budget——

Senator WILLIAMS. \$4.7 billion, I think, in 1967 year's budget.

Secretary FOWLER. That is an increase of about a billion and a half over 1966.

Senator WILLIAMS. Over what it was the preceding year?

Secretary FOWLER. That is right.

Senator WILLIAMS. And the preceding year, 1966, how did that compare with the preceding year?

Secretary FOWLER. That was an increase over fiscal year 1965.

Senator WILLIAMS. By about what? Another billion dollars?

Secretary FOWLER. My memory for these figures is not completely accurate, but I believe it was about a billion and a half dollars.

Senator WILLIAMS. That is my understanding.

Secretary FOWLER. Now, I want to point also, Senator, that this device of bringing the private credit markets into this operation is one that has been followed by several administrations. It began in 1954 and has characterized our operations ever since. Moreover, from a policy standpoint it has been considered important to substitute, over a period of time, private credit for public credit in the operation of those credit programs. It is hoped that someday private credit could eventually take over the entire responsibility, but for various reasons, private credit could not assume the responsibilities and do the job that was required to be done at the outset.

Senator WILLIAMS. Well, Mr. Secretary, I am not raising this point for the purpose of either criticizing it or endorsing it. I raise it from the standpoint of clarification. I am aware that there has been a re-sale of these mortgages in the market over the prior years, but in the last 2 years in fiscal 1966 and in fiscal 1967, these sales that have been accelerated far beyond the previous.

Secretary FOWLER. Yes.

Senator WILLIAMS. And to the extent that it has been accelerated it has a tendency to reduce the reported deficits.

Secretary FOWLER. That is correct.

Senator WILLIAMS. Now—here we get to the point that I am talking about—this acceleration in 1967 is about a billion and a half dollars, and acceleration above normal in 1966 was about a billion dollars over and above the normal sales.

Secretary FOWLER. That is right. You say normal sales. I would say over and above—this has been a purposefully—

Senator WILLIAMS. Average level.

Secretary FOWLER. Expanded program.

Senator WILLIAMS. Over and above what would be accounted in the normal expansion. And these additional sales have had a tendency to reduce the deficit. When you take these into consideration, you have a \$9.6 billion deficit in 1966, and it brings the 1967 to \$10.6.

As I told you, I am going to support this bill or substantially all of it. I think some action must be taken. I am not quarreling with you on that, but I am emphasizing that we are really faced with a deficit in 1966 of \$9.6 billion, and we are attempting to cure a \$10.5 billion deficit in 1967. Yes, I support this bill but I don't join the administration in trying to kid the American people that by its enactment we will have only a \$1.8 billion deficit next year. We are spending next year about \$10 billion more than our revenue, and we are partially curing that with these one-shot operations.

Secretary FOWLER. Senator, I think we could discuss this at great length. I have an entirely different point of view about it. I think that we are using, as you call it, and purposefully using one-shot operations, to deal, for the time being, with what we would hope would be an international situation that could be brought to the negotiating table. If that does not develop and that is not the case, then we will have to look at our responsibilities again for financing our operations overseas.

We will have to look at them next January in any event, depending upon what the budget expenditure projections are for fiscal 1968. We will have to look at them again if hostilities should escalate to a de-

gree that would require substantial expenditures beyond those currently projected in the budget for the fiscal year 1967.

Senator WILLIAMS. As I said before, I am not trying to debate the merits or demerits of what we are doing, but I do think from the standpoint of the country we should state exactly where we stand. The President in his message advocated truth in lending and truth in packaging, and I am just trying to help him give some truth in Government because I think that we need it most.

Secretary FOWLER. I hope also when you make these comments that you will add the fact that there is \$10.5 billion in this budget to fight the war in Vietnam—and that is a rather unusual expenditure increase.

Senator WILLIAMS. That is correct, and I support our war effort.

Secretary FOWLER. And I think all of those who point to the fact that there would be this deficit if it weren't for this, that, and the other thing, ought to also point out that there might be a surplus. We might have had some debt reduction or further tax reduction if it weren't for the war in Vietnam.

Senator WILLIAMS. I realize there is a war in Vietnam. There was a war going on at the time these taxes were cut last year, and I was one of those who voted against them and said then that I thought it was fiscally irresponsible to cut taxes in the face of a war. For that reason, I am now supporting the administration in correcting its past error. But when you speak of the fact that the accelerated economy based on the current expenditures would take care of our deficits, if there were no war, that is misleading. Is not a part of the acceleration of the economy and a part of your increased projected incomes based on profits as a result of the war expenditures?

Secretary FOWLER. That factor certainly enters into it. But, I think it would be fair to say that given the force and pace of the private sector last summer, prior to the President's appearance in late July concerning Vietnam, the outlook was for a continuing expanding economy which would have produced—and this is a matter of judgment—substantially increased revenues this year. It would have been quite possible that we could have had a balanced budget projected for fiscal year 1967.

Now, of course, there could have been a flattening out of the economy. There could have been a change. But the general health and projection of the economy last summer was such that I think it would be a fair judgment to say that, without Vietnam, we would be confronted by the very different prospect of dealing with a balanced budget.

Senator WILLIAMS. Well, I yield at this point. I understand the chairman wants to proceed with others. But I do not go along with your projected estimate—that you would have a balanced budget, without the war. I am not unmindful of the fact that for each of the past 5 years we have been told the same thing and each of the succeeding years we find our deficit getting larger.

Secretary FOWLER. I might say, quite respectfully, I have studied the record, as I know you have, and I believe my predecessor, Secretary Dillon, also said to this committee that he thought it would be

feasible to anticipate, if the tax program worked out as was planned, a balanced budget in the fiscal year 1967, although it might take until 1968 to——

Senator WILLIAMS. I agree. He said that, and he projected that on the basis that he was going to cut taxes and bring in additional income. But I notice that now when he needs additional income instead of cutting taxes to raise income he is suggesting we raise taxes.

Secretary FOWLER. I am suggesting that had it not been for these additional expenditures in Vietnam—if you take \$10.5 billion off \$112.8 billion—you get down to an expenditure level of about \$102.3 billion. I think it would also be a fair projection to say that were it not for Vietnam, the economy would have continued to expand and our revenues for fiscal year 1967 would have exceeded \$102.3 billion.

Senator WILLIAMS. Neither of us knows the answer to the question on what would have happened if——

Secretary FOWLER. That is right.

Senator DOUGLAS. Senator Bennett came in too late yesterday to ask questions. I believe when he came in this morning he didn't have the opportunity to ask a question.

Senator BENNETT. Thank you, Mr. Chairman. I just have one problem that I would like to discuss with the Secretary.

Am I correct in my understanding that under this bill, those citizens who wish to take advantage of the extra allowance provision to reduce overwithholding must wait for that privilege until their 1967 tax record?

Secretary FOWLER. That is correct, sir.

Senator BENNETT. And that when they come to that time, if they wish to have their withholding reduced, they must be prepared to present to their employer a record of their previous tax payments to show that they have, in fact, made contributions or paid deductible expenses which justify the reduction of that withholding?

Secretary FOWLER. That is right. Additional withholding allowances have to be grounded on the previous year's tax return.

Senator BENNETT. How much of your \$1,035 million reduction in overwithholding would be changed if the privilege of establishing the right to reduce withholding were made effective when the bill is made effective on May 1?

Secretary FOWLER. I will ask Assistant Secretary Surrey to answer that since he has followed that particular more closely than I have.

Mr. SURREY. It would probably drop by somewhere around two-thirds to three-quarters.

Senator BENNETT. You mean it would be reduced anywhere—to a point of \$250 to \$350 million?

Mr. SURREY. Yes. Probably above three-quarters.

Senator BENNETT. Well, this is an interesting problem. Isn't it true that the same right or the same material with which to verify their right to a reduction of withholding exists today as will exist in January? They could use the 1965 tax return as the basis of their justification.

Mr. SURREY. The same material won't exist in this sense, Senator. This additional allowance system is a rather complicated matter. We have not had it before. It requires a large amount of preparation on the part of the Internal Revenue Service and understanding on the

part of employees generally to become familiar with it, and the time to put that into effect just wouldn't exist between the time this bill passed and the time that the graduated withholding is to take effect. There would be that very material difference.

The other factor that could be involved is that the system does depend upon having readily available a tax return for the previous year. If this system goes into effect when the graduated withholding goes into effect sometime in May 1966, it would be a question in some cases whether people have retained and have available their 1965 data.

It is expected that next year this would be filled out simultaneously with a person's tax return.

Secretary FOWLER. Senator Bennett, the House report on page 16 added an additional observation. I quote from the report:

Moreover, since graduated system is not in effect for the first 4 months of 1966, any overwithholding attributable to these rates is not expected to be serious in 1966.

That is due to the graduated——

Senator BENNETT. Let me find that.

Secretary FOWLER. The last sentence on page 16, under the heading of "Effective Date."

Senator BENNETT. Well, now, I am confused. It says any overwithholding attributable to these rates is not expected to be serious. Mr. Surrey said it represents from two-thirds to three-quarters of the total amount of your billion dollars.

Mr. SURREY. No. I think the difference between the two statements is this, Senator. You asked what would be the reduction in withholding and I gave you that. The question is whether there would be any serious overwithholding in the year 1966 to warrant the necessity for relief.

What the House committee report indicates is that for a part of 1966, we will be running at underwithholding. That underwithholding in early 1966 will compensate for some overwithholding in the latter part of the year.

When you come into the year 1967, then the graduated withholding, of course, will be in effect from the very first day of the year, and the overwithholding will be larger than it would be in 1966. That is the point Secretary Fowler was making.

Senator BENNETT. Well, I can understand the problem of the Treasury in getting the machinery in operation to handle this thing, but——

Mr. SURREY. It is also a problem for employers, too, that would have to be taken into account.

Senator BENNETT. It would seem to me that if an individual taxpayer were disturbed by the impossibility of overwithholding he would see to it that his employer got the information and made the correction on his return because it is to his advantage.

Mr. SURREY. Well, that is correct. I am saying that the overwithholding in 1966, however, will not be the size of the overwithholding that will exist in 1967. It will be balanced by the underwithholding.

Secondly, the information that the employee has to give to the employer is information that will have to be stated on new forms. New tables will have to be devised for employees to enable them to figure the number of allowances they are entitled to. All of that is a rather

large printing, distribution, and educational job. The House thought since it wasn't necessary to relieve hardships and difficulties in 1966, then there was every reason to make it available only in 1967, when the problem really emerges for the first time.

Senator BENNETT. The problem is created for me because I am a member of a religious group whose members are expected to give a flat 10 percent of their income to the church and every member of that group who does that and who earns a normal income is immediately involved in this problem.

Mr. SURREY. Yes, sir; except to the extent, of course, as I said, that the fact that this is a split year ameliorates the problem. It isn't the same problem. The problem that you were thinking of is the problem that I think motivated the House in adopting this new system, but they were concerned about the impact of withholding, graduated withholding, when it was fully in operation. It will not be fully in operation this year.

Senator BENNETT. Well, it is in operation 8 out of 12 months.

Mr. SURREY. That is right.

Senator BENNETT. That is two-thirds.

Mr. SURREY. Roughly speaking, in many cases the amount of over-withholding that will exist in this year will be about the amount that will exist next year after the use of the new allowances.

Senator BENNETT. Was this seriously discussed in the House to the extent that they examined the possibility of changes in the law to make it practical?

Mr. SURREY. With respect to this year? Yes, sir. This point was gone into as the House report indicates. This was discussed with the House committee.

Senator BENNETT. I hesitate to say what I am about to say, because I know what the answer is, and I am afraid I kind of agree with the justification, but this might be a place where, because of this split year and the withholding of the right to make the proper return and correct the withholding rate, the Treasury might pay the same interest to people overwithholding during these 8 months that they collect from people who collect to pay their taxes in full. But I recognize this would create a tremendous administrative problem and it would also create a precedent on the basis of which everybody who was over-withheld from here on out would say, let's have interest.

But I wish there were some practical way to solve this problem for people who, as a matter of conscience, or for other reasons, automatically put themselves in this situation for this year.

Mr. SURREY. I think your observations on interest are well founded. Of course, we do not charge interest in cases of underwithholding today.

Senator BENNETT. Do you have someone else who wanted to question?

Senator DOUGLAS. Senator Talmadge has not had an opportunity.

Senator BENNETT. I have two or three more questions that I would like to have a chance to study first, please.

Senator TALMADGE. Do you want me to proceed?

Senator BENNETT. Yes.

Senator TALMADGE. I will be delighted to and will endeavor to be quite brief.

Mr. Secretary, I think that people who kept a close watch on the fiscal policies of our country primarily are concerned with our continuing and constant budget deficits, the problems of our balance of payments, gold drain, and also the possible threat of inflation. Would you agree that those are the principal problems that concern us at the present time in a fiscal way?

Secretary FOWLER. Yes. In addition, we always have the overriding problem of maintaining a healthy, expanding economy. In our constant daily concern with the problems you mentioned we have to also take into account that in reacting to and treating those problems we also try to maintain the general economic expansion we have had for 5 years.

Senator TALMADGE. What do you anticipate the budget deficit for fiscal year 1966 to be?

Secretary FOWLER. \$6.4 billion. I have no additional information since the presentation of the President's budget message on the expenditure level that would indicate any difference in that estimate. It is a very sound estimate.

Senator TALMADGE. What was our balance-of-payments situation last year?

Secretary FOWLER. Last year we reduced the so-called overall deficit, from \$2,800 million in the year 1964 to \$1,300 million in the year 1965. This represented by far the most substantial progress that we have made in any given year in dealing with this problem.

It is the smallest overall balance-of-payments deficit since 1957. It is less than half the size of our deficit of \$2.8 billion in 1964 and \$2.7 billion in 1963. On a comparable basis, it compares with average deficits on the same accounting basis of \$3 billion a year in the 7 preceding years, 1958 to 1964.

Senator TALMADGE. Of course, you would agree—

Secretary FOWLER. Now, I don't want to conclude this comment without saying that in making our plans for 1966 in the latter part of last year we tried to tighten and improve our program both as it concerns private capital and Government flows for the purpose of trying to reach our objective—equilibrium in 1966—by which we mean a balance \$250 million either side of zero.

Senator TALMADGE. You don't think that a dollar deficit of \$1,300 million is a very healthy situation?

Secretary FOWLER. I do not, Senator Talmadge. I think it is up to the United States to take the measures that are necessary to bring this balance into equilibrium, and to keep it there over the indefinite future.

Senator TALMADGE. What was our gold loss last year?

Secretary FOWLER. About \$1.6 billion, which was, of course, primarily the result of the very substantial deficits that characterized the preceding years. The loss of gold in the first two quarters of the year were a consequence of the deterioration in the balance-of-payments outlook for the United States in late 1964 and early 1965. The rate of losses of those first 6 months were sharply scaled down in the last 6 months of 1965. In fact, they ran at the rate of only about \$100 million a quarter in that period.

I should also say that in looking at that \$1.6 billion of gold loss, about \$259 million represented a deposit of gold with the International

Monetary Fund to meet our obligations in connection with an increase in our quota, about \$100 million was for industrial uses, and about \$880 million represented gold sales to the French financial authorities.

Senator TALMADGE. What are our gold reserves now?

Secretary FOWLER. About \$13.8 billion.

Senator TALMADGE. What are our short-term claims overseas?

Secretary FOWLER. Short-term claims against that gold?

Senator TALMADGE. Yes, sir.

Secretary FOWLER. They should be broken down into two categories. The so-called official claims, that is, holdings of dollars by the official monetary authorities of other countries—in the general magnitude of approximately \$15 billion—and private dollar holdings—of approximately \$11 billion.

Senator TALMADGE. If our friends in Europe wanted to, then, and acted in concert, and demanded gold, they could break the bank, couldn't they?

Secretary FOWLER. They theoretically could. As a practical matter that is a bugaboo that does not concern me because they would bring down much more disaster upon themselves than they would upon the United States.

Senator TALMADGE. How much of our dollar deficit is attributable to the maintenance of our six divisions in Europe?

Secretary FOWLER. I would have to go into considerable detail to give you a complete answer to that question. Insofar as the cost of maintaining divisions in the Federal Republic of Germany is concerned, we have an arrangement with the Federal Republic, which has served very well, under which military offset sales—that is, military procurement by German authorities either through the U.S. Government or in the United States—offsets our dollar balance-of-payments costs in West Germany. With the predominant cost of maintaining forces in Europe being the cost in West Germany, one could assume that a large part of the total cost is defrayed. Now, of course, there is always the question of how much the Germans would buy anyway if we didn't have any troops there. My own judgment about that would be that, over the long pull, that would turn out to be a very negligible amount.

Senator TALMADGE. Exclusive of West Germany, can you estimate the dollar drain attributable to troop maintenance in Europe?

Secretary FOWLER. I would prefer to give the precise figures on that for the record.

Senator TALMADGE. I think—Mr. Secretary, but I realize it is a policy decision that does not address itself to the Secretary of the Treasury, that it seems strange indeed at the present time to maintain six divisions in Europe while the Europeans have done little or nothing to protect themselves, especially in view of the fact that we are running a dollar deficit and a tremendous gold drain there, have a war being conducted in South Vietnam, and have taken no positive steps to prevent these same Europeans that we are protecting from trading with North Vietnam at the present time. I think that those six divisions in West Europe are primarily there for the purpose of showing the flag. I don't think they would be a serious deterrent militarily if the Russians decided to attack in force there, which they apparently have no intention of so doing.

Therefore, it seems to me that we should give serious consideration to bringing about four of those divisions home or sending them to South Vietnam where the actual war is being fought. We would not only beef up our military forces there, but would do much to curtail our dollar deficit and our gold drain and I think it is high time that our Government gave serious consideration to such a course of action.

We have been in Europe now for some 25 years and I think we have become unwelcome guests in a lot of respects.

I also believe the European governments would make more serious efforts to defend themselves if we started looking after our own interests to a greater degree rather than theirs.

Secretary FOWLER. Senator Talmadge, your comments, of course, go to military and foreign relations considerations that are somewhat beyond the immediate field of the Treasury Department.

Senator TALMADGE. I acknowledged that fact at the outset of my discussion of this policy area.

Secretary FOWLER. I think it is more appropriate to have the political, diplomatic, and military reasons for the maintenance of those forces developed by my colleagues in the State Department and the Department of Defense.

Insofar as the area of concern to the Treasury; namely, the balance-of-payments aspects, I would only want to say that as long as the arrangement with the Federal Republic of West Germany is maintained on the basis on which it has been followed over the last few years, I don't believe that the balance-of-payments consideration should be the swing consideration on any of the decisions of the sort you have indicated. I think the decisions as to the maintenance of our forces there, and in what quantity and what degree, should turn on the political and military considerations on which I am not—

Senator TALMADGE. All of these individual factors, as you know, now are completely interrelated. At the present time, our world fiscal policy, political policy, military policy, are interrelated and you can't completely segregate one from the other.

I want to ask you briefly about inflation. What do you think is the best criteria of determining whether inflation exists or threatens to become existent?

Secretary FOWLER. Well, Senator, there are many, many definitions. Taking two of the many types, I think you can have serious creeping inflation—which would mean persistent rise in prices over a long period of years of substantial character—as well as a sharp, quick, inflation—by which I mean something that can occur in a period of a few months or a half year. You don't have to wait for years to recognize certain types of very serious inflation.

It is a matter of opinion just what the mathematics of it are. I think it would be fair to say that the increase in prices in the order of magnitude of 1 percent, 1½, or 2 percent per year is not generally considered by the professional economists as being characterized as inflation. When you get up around 3 percent you began to get quite a bit of an argument about whether that is inflation or whether it isn't. A good deal of the determination depends upon the collateral circumstances, whether it is—

Senator TALMADGE. Would you say that the wholesale price index would be about as good a criteria as any?

Secretary FOWLER. I think that is perhaps the best one, Senator Talmadge.

Senator TALMADGE. How much has the wholesale price index risen in the past 12 months?

Secretary FOWLER. From December 1964 to December 1965, and from January 1965 to January 1966, it has gone up about 3.4 percent and 3.6 percent, respectively.

Senator TALMADGE. 3.4. How much has it risen in the last 90 days?

Secretary FOWLER. For all commodities, Senator Talmadge, is that your question?

Senator TALMADGE. Yes, sir. I believe that is commonly referred to as the wholesale price index.

Secretary FOWLER. For December, for all commodities, it was 104.1 on a 1957-59 base, and as of February 15, it was 105.

Senator TALMADGE. So more than half—

Secretary FOWLER. That February figure is preliminary—that is to be confirmed.

Senator TALMADGE. More than half of the price rise of 3.4 then has taken place in the last 60 days?

Secretary FOWLER. I believe that about one-fourth would be approximately correct.

Senator TALMADGE. You would think, then, that it is time for us to take a good hard look at this problem in view of the—

Secretary FOWLER. I think it has been true since last summer and fall. I began speaking publicly to this question on a number of occasions last fall—that we had to be extremely vigilant and that a policy of responsible restraint would be required, not only by management and labor in terms of wage-price decisions but by the Government in terms of its budgetary processes. You might say all of us had to be concerned because we had had a fairly flat trajectory of the wholesale price index for a period of about 6 or 7 years. Whenever it begins to move up, I think it is time to be vigilant and to be concerned.

I would like to point out that you have to take a closer look at the wholesale price index movement from January 1965 to January 1966 of 3.6 percent to get the correct picture. In the field of farm products the change was 12.3 percent. In the field of processed foods, it was 7.8 percent. The price change in industrial products that go into the wholesale price index was only 1.6 percent. So that, by far, the predominant contributing factor to the change in the wholesale price index of 3.6 percent over the past 12 months, January to January, fell into the area of farm products and the processed foods which represent one-fourth of the makeup of the index.

Senator TALMADGE. In a period of inflation, agricultural commodities usually rise first, don't they?

Secretary FOWLER. Economists will have many explanations of the movement. There is a good deal of discussion that the movement of farm products has certain cyclical characteristics and it sometimes can occur wholly apart from an inflationary period, for example crop failure—

Senator TALMADGE. We know there is a considerable shortage of pork and some other agricultural commodities.

Secretary FOWLER. That is right.

Senator TALMADGE. Which account for that price rise.

I want to congratulate you, Mr. Secretary, on your presentation Friday and also on your statements that I have read from time to time in the last several months viewing with considerable alarm the possibility of inflation and urging the Government and management, as well as labor, to exercise caution.

Thank you very much.

I have no more questions, Mr. Chairman.

Senator DOUGLAS. Senator Dirksen, I think you have not had a chance to ask any questions.

Senator DIRKSEN. Mr. Secretary, with the one-shot gain in 1966 and 1967, the corporate speedup would not be an actual gain over the years?

Secretary FOWLER. No, sir. It is a one-shot affair, Senator Dirksen.

Senator DIRKSEN. When does that begin to fall off?

Secretary FOWLER. There would be no large gain from corporate acceleration, if you adopt the proposal before you, after fiscal year 1967.

Senator DIRKSEN. Now, there would still be some overwithholding, notwithstanding the provisions.

Secretary FOWLER. That is correct, sir. You cannot completely eliminate either underwithholding or overwithholding. However, the magnitude of both will be substantially reduced.

Senator DIRKSEN. Is there any provision to pay interest in the case of continued overwithholding?

Secretary FOWLER. No, sir, there is not. We do not, of course, charge interest on underwithholding, and we do not believe it would be wise to pay interest on overwithholding.

We think that these things will balance out fairly well between taxpayers as a group. We believe payment of interest would give rise to very substantial administrative difficulties and would be an unwise step.

Senator DIRKSEN. I have no more questions.

Senator DOUGLAS. Thank you.

I wonder if Senator Bennett would permit me to ask one or two simple questions?

Senator BENNETT. Surely. I have had my turn and I will wait until it comes around again.

Senator DOUGLAS. Mr. Secretary, on Friday I called attention to the fact that in Vietnam the banking facilities are controlled by French banks, notably the Bank of Indo-China. Therefore American expenditures in that country in terms of dollars would largely find their way into the Bank of Indo-China, would then be shipped to France, and under the present policies of President de Gaulle, would constitute claims against our gold and would result in a gold drain. And I suggested that a constructive step would be to develop American banks in Vietnam into which dollar claims would be channeled so that they would not constitute claims against our gold.

Do you have any further statements to make today in response to that suggestion of mine?

Secretary FOWLER. Yes. We have made inquiries as to the situation. We find that there are some American banks, I think three or four in number, who have applied for permission to be chartered to operate in

that area. I am hopeful that favorable action will be taken by the authorities there on one or all of the applications. Unless there is fairly prompt action in that area, I would feel it important enough for the Treasury to dispatch someone to Vietnam to go into the situation.

This is primarily a matter for the diplomatic mission, Ambassador Lodge, to be concerned about. But we will keep in close touch with the situation.

Senator DOUGLAS. You feel this is a constructive suggestion?

Secretary FOWLER. I do, sir.

Senator DOUGLAS. It may be very crucial because if we expend additional billions of dollars, a goodly percentage of which would be spent inside of Vietnam, it could constitute a gold drain of very large magnitude.

Secretary FOWLER. This has been the subject of considerable examination by Administrator Bell—to know where the funds will ultimately end up. It would depend, of course, upon the private decisions that are ultimately made as to whether funds would be banked in U.S. facilities or other facilities. This is a matter of choice. I am not—

Senator DOUGLAS. By internal regulation—

Secretary FOWLER. I think it is incumbent upon us to do everything we reasonably can do, consistent with respect for other sovereignties, to minimize in every way possible both the impact on our balance of payments—and the impact on our gold supply—as a result of our activity there.

Senator DOUGLAS. By internal regulations of the South Vietnamese Government, it could be provided that all dollar claims should be deposited in American banks rather than in French banks, isn't that true?

Secretary FOWLER. I would think that could certainly be a decision.

Senator DOUGLAS. Now, if I may touch another suggestion which is an old one, as you know, I have been urging for 13 months that we assume no further responsibility for economic aid to African nations, formerly French colonies because just as with South Vietnam, the banking facilities of those countries are still French based.

Now, I know that this is perhaps a subject which should be more properly addressed to the Administrator of AID but we never quite get a chance to bring this matter up before him. I wonder if it would be appropriate for you to express your opinion on this suggestion?

Secretary FOWLER. Yes, sir.

In a letter to you I have expressed my opinion. I will be glad to do so again.

Last October, in reply to your letter, I said on this subject:

With respect to U.S. programs of aid to former French territories, we at Treasury have urged State and AID to take into consideration the availability of economic assistance from France and access to French foreign exchange resources in determining the magnitude of U.S. assistance. I expect to urge that these factors be given still greater weight in the future.

This has been our position since the matter was brought to our attention. I would be glad to Mr. Bell communicate with you if you would like.

Senator DOUGLAS. Of course, you know that Mr. Douglas MacArthur III, presumably speaking for all Government agencies except

the Treasury, rejected this suggestion on the ground that the African nations have their needs which should be met and that these should be considered independently of where the dollars were finally deposited.

So the official policy of the administration was adverse to this suggestion. I do hope that this will be considered seriously, especially in view of your statement that last year France withdrew \$800 million of gold and that its current policy is to present at least \$30 million a month in dollar claims. This example is being followed, is it not, by Belgium, the Netherlands, Spain, and Portugal?

Secretary FOWLER. To a lesser degree by Belgium and the Netherlands. But Spain has been a frequent purchaser of gold over the past year.

Senator DOUGLAS. Senator Bennett?

Senator BENNETT. Thank you, Mr. Chairman.

I have two or three questions here largely for the record. I would like to return to the withholding problem. Under the graduated withholding plan, in computing withholding allowances, estimated deductions for the current year may not exceed the total, the amount of actual deductions for the prior year, that the taxpayer may know very well that his deductions are going to be larger. Why shouldn't he be allowed to estimate these deductions if they are reasonable?

Secretary FOWLER. I will ask Secretary Surrey to answer that.

Mr. SURREY. The House committee went into this Senator, and was concerned with the possibilities of serious—I don't want to use the word "abuses"—serious problems in the entire withholding system if there was not some anchor upon which to base their additional allowance system. At the present time, there is after all a good deal of certainty in our withholding system. The only factors the taxpayer takes into account are the number of his dependents. These are given facts. This additional allowance system injects two major uncertainties. The taxpayer has to estimate his deductions and the taxpayer has to estimate his salaries and wages and the House was concerned that without some definite anchor, at least at the start of this new additional allowance system, there could conceivably be a breakdown in the whole withholding system. This new withholding allowance system is somewhat complicated, it is new, people will have to get used to it, and in the initial stages there was the thought there should be some definite certainty in the matter.

If the taxpayer were allowed to guess or estimate what he thought his deductions would be for the year, you could see the problems that could start to creep in and at the beginning of the use of this system. The House thought it would be better to have definite figures the taxpayer could use and those would form the anchor for his statements as to whether he is entitled to an additional allowance or not.

That was the reason for that provision in the House bill.

Senator BENNETT. And your answer would be the same for the alternative question about his right to estimate that his actual income will be lower?

Mr. SURREY. It is the same principle; that is correct.

Senator BENNETT. Is there any special rule when a taxpayer changes from a 10-percent standard deduction to itemized deductions?

Mr. SURREY. Any special rule with respect to what?

Senator BENNETT. The conditions under which he may make an estimate if he is changing from a standard deduction.

Mr. SURREY. No. I don't think so, if I understand the question.

Senator BENNETT. Well, on page 35 of the House report, we read:

If for the taxable year immediately preceding the estimation year, the employee elected under section 144 of the code to use the standard deduction, his estimated itemized deduction for such estimation year were zero.

Why shouldn't he be treated that his estimated itemized deductions were 10 percent?

Mr. SURREY. At least the amount of the standard deduction, yes.

Senator BENNETT. Yes.

Mr. SURREY. I think the reason for that is in a sense they are equal to 10 percent but he would not be able to qualify for the additional allowance in that you need, under the House bill, over a 12-percent relationship between itemized deductions and salaries and wages. So consequently if he called his itemized deductions equal to 10 percent, he would still be in the nonqualifying class.

I think this was a shorthand way of saying in the House bill that inasmuch as you don't qualify, then we will call your itemized deductions zero. If they called them 10 percent, the net result would be the same.

He still would not be eligible.

Senator BENNETT. How does a man change from standard to itemized then if, every time he presents his record, you say, well your record last year was zero and your request for deductions can't be any higher than last year's record?

Mr. SURREY. Let's assume a person in the year 1966 is on standard deduction basis.

Senator BENNETT. That is right.

Mr. SURREY. Then, since at best his deductions can't be more than 10 percent of his income, he would not be eligible under the House bill, in view of the qualifying floor of 12 percent; but let's assume in the year 1967 he goes up in his deductions, and they go to, say, 25 percent. Then in filing in 1968 he would then become eligible for the additional allowance. His deductions would actually have to rise.

Senator BENNETT. But you would force him to wait 1 year.

Mr. SURREY. That is, I think, no different than the first point that you asked me about, a situation in which, for some reason or other, a taxpayer's deductions may rise. It is really an example of the first case that you gave me, I believe.

Senator BENNETT. Well, except that it has the additional factor of a time lag which is created by the interpretation of the law.

Mr. SURREY. No. I don't think so. I think in the first case, his deductions happen to be low in the first year. The reason he took the standard deduction is simply because his itemized deductions came to less than 10 percent. That is the normal reason why a person would claim the standard deduction. It is then worth more to him than his itemized deductions. So you are dealing with the taxpayer who, in the base year or the year to which reference is made, has low itemized deductions.

Now, then, if his deductions rise for one reason or another, he would be in the same position as the taxpayer whose itemized deductions were,

say, 15 percent and rose to 20 percent. His happen to be less than 10 percent and may rise to about 15.

Senator BENNETT. What happens in using your example—you use the itemized deduction in 1966. He had deductions of 16 percent in 1967 which he couldn't claim until 1968. What could he claim in 1967?

Mr. SURREY. Well, the difference—when you use the word “claim” so there is no confusion, you are talking about claim for the additional allowance?

Senator BENNETT. Yes, that is right.

Mr. SURREY. He could always claim the itemized deductions for his tax return. There is no bar there in computing his actual tax for the year. He always gets the correct deduction. So we are talking only about whether he believes he is eligible for this additional allowance.

Now, if his actual deductions in 1966, when he comes to file his tax return in 1967, show a certain amount, it is that figure which he would use on his claim for additional allowance, and we have a form prepared for that. He would use that figure unless he expected his deductions in 1967 to drop, in which case he should be using the lower figure.

Senator BENNETT. Let me see if I can say it back to you.

The taxpayer who uses the standard deduction method in 1966 wishes to change over to the other deduction method. He files his tax return on the 15th of April for 1966. He files it on the 15th of April. Therefore, he is not in a position to claim the higher deductions in January.

Mr. SURREY. He did not have a large amount of deductions in 1966. That is right.

Senator BENNETT. Well, perhaps he discovered that his deductions in 1966 were, in fact, higher than 12 percent, even though he made the mistake, or through carelessness or some other reason just filed for the standard deduction?

Mr. SURREY. When he comes to file his return in 1967 for the year 1966 there is nothing that prohibits him from using the standard deduction or itemized deductions. He then is in a position to look at his 1966 deductions and claim what actually happened. If his itemized deductions in the year 1966 came to less than 10 percent, he may claim the standard deduction because that will reduce his tax liability. If his itemized deductions in 1966 came to more than 10 percent, he will claim his itemized deductions and he will use that figure from his 1966 tax return to start the calculations that he will have to make on his claim for additional allowance. There will be nothing in 1967 that will keep him from entering the correct figure in his tax return for the year 1966, and in turn to use that correct figure based upon the 1966 deduction in computing his claim for additional allowance.

Senator BENNETT. Well, now, I am confused.

Mr. SURREY. I am sorry it turned out that way. You see, I think maybe the difference is we are talking about two things and I don't want to get that confused.

One is how he handles his claim for additional allowance for withholding purposes, which is only for withholding purposes.

Senator BENNETT. That it right.

Mr. SURREY. When he comes to file his tax return, he is in no way barred from computing the right amount of deductions regardless of what the claim was for the withholding allowance.

Senator BENNETT. But let's come back to the original problem and I probably confused it by my use of the word "claim."

Standard deductions in 1966, he wishes to change over to itemized deductions. He cannot do that until his 1967—until 1968. He can't change his withholding rate until 1968.

Mr. SURREY. That is right.

Senator BENNETT. After having used the standard deduction in 1967. Then what does he use in 1967?

Mr. SURREY. In 1967, for the purposes of withholding, he would, as the House report indicated, use the data from the 1966 return which would be the standard deduction. In filing his tax return for the year 1967, to compute the correct tax liability, he would use whatever the facts show for 1967.

If itemized deductions were larger than the standard deduction in 1967, he would use the larger itemized deductions.

Then in 1968, when he would make his appropriate claim for withholding allowances, he looks at his 1967 return. This is really just an illustration of the same fact that you asked me at the very beginning, what is the basis for computing deductions, and it is always the return for the last year's return.

Of course, the withholding system always gives you credit for at least 10 percent deduction. That is built into the system. And, as I say, the reason for this anchor in the House bill is just the desire to have some certainty when we start out with this system. The case you gave me is really an illustration where he thinks, that his deduction will rise, he may quite accurate, but in other cases he may be guessing. It is an example of that situation basically.

Senator BENNETT. Perhaps he obligates himself for a rather substantial loan and he knows his interest is going to carry the deduction involved. It is something that he can demonstrate definitely.

Mr. SURREY. Yes. In some cases, yes, and I think in some cases, no. In some cases he might believe that in April that there is going to be a medical operation which will cost him money. It turns out a month later they decide to postpone the operation for several years. Factors of that nature are sometimes hard to pin down.

Senator BENNETT. The House bill contains a floor amendment which purports to relieve overwithholding. Are you in favor of limiting overwithholding in general?

Mr. SURREY. The Secretary, in his statement said, "Yes." In other words, the Secretary in his statement said, while the House provision overall is complicated and there will be a period of adjustment to it, he thought it was an appropriate approach to moderate overwithholding. You will never be able to have a perfect system.

Secretary FOWLER. Do you want to go into the floor amendment?

Senator BENNETT. Yes. That is what I am talking about.

Mr. SURREY. On the floor amendment, the Secretary's statement said there are problems associated with the variation in that technique introduced by the committee floor amendment which we will be glad to discuss in the technical sessions. That variation involves added complexities and also produces underwithholding in some situations.

I think with respect to that floor amendment we would say that that was not an appropriate way to approach the problem. In other words, that addition does give us a number of problems and one of the princi-

pal problems is that it builds in underwithholding for a number of the people involved.

Senator BENNETT. Assuming that the committee is not sympathetic to your point of view and the floor amendment stays in the bill, wouldn't you think it more fair that the floor amendment goes only to the first withholding allowance, permits you to vary that basis down to a rate of half a percent rather than a full percent?

Don't you think if we leave that in the bill that we should apply that to allowances above the first allowance, assuming that a man's income justifies, say, two or three allowances?

Mr. SURREY. I do not think so, Senator, and I think when we get into the tables, you will see the problem. You see, the concern we have on the floor amendment is—and we can go into these tables later—you can run through the figures and you can get \$50, amounts of that nature of underwithholding, under the floor amendment. We think it is inadvisable to give taxpayers a system which they are led to believe will bring them out right so they will not owe any money at the end of the year, and then have them come to the end of the year and find that due to the mathematics of the system they are going to end up owing the Government \$50 or something like that.

Consequently, if there is to be any further reduction in overwithholding, we would like to discuss other variations with you rather than this particular mathematical approach.

Senator BENNETT. How does the withholding allowance work when a taxpayer receives bunch income in a year and uses the income averaging provision?

Mr. SURREY. Are you asking what withholding tax would apply to a particular bonus item or something of that nature?

Senator BENNETT. That is right.

Mr. SURREY. I think there is a special rule which takes account of that situation.

Senator BENNETT. What income does he use in the following year to measure his right to have an allowance established?

Mr. SURREY. He would use, I think, his total salary for the prior year, to my recollection.

Senator BENNETT. And ignore the—

Mr. SURREY. It would be total salary and wages for the prior year.

Secretary FOWLER. I don't think you ignore bonus. If he got that bonus and that is treated as wages, salary, income, that would be included.

Senator BENNETT. But here is a man in 1966 who gets a bonus and bases his overwithholding on it and next year he doesn't get the bonus. Then this is just an accidental case of overwithholding?

Mr. SURREY. These are problems that are going to occur just as if a person believed he is going to be employed for a whole year and isn't employed for a whole year. Nothing in this bill is going to be able to cure his overwithholding.

Senator BENNETT. Is it cured under the present law?

Mr. SURREY. No, sir.

Secretary FOWLER. You are going to have a very substantial amount of overwithholding and underwithholding continuing. But if you

look at the table on page 13 of the House report, you will note that there will be a very substantial reduction in a number of returns in which there is overwithholding or underwithholding. The so-called break-even number of returns will be substantially increased as a result of this bill and at the same time the order of magnitude of the overwithholding and underwithholding will be reduced substantially.

Senator BENNETT. That is what the chart shows but you are still left with personal problems of overwithholding and underwithholding.

Secretary FOWLER. We can't get away from them.

Senator BENNETT. My last question takes you into a completely different field. There have been two newspaper reports that have come to my attention over the weekend making the charge that the 1-percent increase in the automobile excise tax is there because the President said in his budget on page 111:

Legislation will be proposed to finance highway beautification costs by transferring to the trust fund receipts equal to 1 percentage point of the existing auto excise tax explicitly designated for that purpose.

Is this a situation in which the 1-percent excise tax isn't going to be available for Vietnam but is going to be taken out for the automobile highway trust fund if the President's proposal carries through?

Mr. SURREY. No. The two 1 percents are not at all related. As you know, there has always been a basic 1-percent floor on the auto tax. It is never going to be reduced to zero under the legislation of last year, under this legislation. There was some assumption in last year's discussions of the automobile tax, that the 1 percent might well have to be used for items associated with the automobile such as beauty, and I think that is the 1 percent that is being talked about in the budget.

The 1 percent that is being talked about here is the drop that occurred in January from 7 to 6 percent.

Senator BENNETT. Then to say it another way, whether we pass this bill or not, there is 1 percent in the automobile excise tax which it is expected will be devoted for this purpose?

Mr. SURREY. That is right.

Senator BENNETT. Then there is just a coincidental relationship between the two figures of 1 percent?

Mr. SURREY. That is certainly right.

Senator BENNETT. It is clear to me but I raised the question to get it into the record so that it would be clear to other people who may be confused by this charge.

Thank you, Mr. Chairman.

Senator DOUGLAS. Senator Hartke, have you had a chance to ask any questions?

Senator HARTKE. I have, but if Senator Smathers wants to go ahead, it is all right.

Go right ahead. I am willing to wait.

Senator SMATHERS. You may ask the questions I was going to ask.

Senator DOUGLAS. Senator Hartke?

Senator HARTKE. Mr. Secretary, over the weekend there have been quite a few statements issued, not only with regard to the war, but also in regard to financing this war.

Without regard to how you are going to conduct the military end of the war, do you think—there are some good friends of yours, Mr.

Samuelson, Mr. Heller, Mr. Rowan—all have indicated that the time is way past for you to put off the request for increase in taxation.

Do these statements have any influence upon your opinion as to whether or not we should put aside this bill now and really take up the big issue of how we are going to pay for a 3- to 7-year war as the President indicated on Saturday?

Secretary FOWLER. I do not believe they change the position that I have taken up to now, Senator Hartke. The important thing to do now is to enact this legislation as quickly and as definitively as possible and deal, as my statement to the committee indicated, with future developments as those future developments occur.

I did include in my presentation to the Joint Economic Committee earlier this month a rather detailed statement on various proposals that had been made that we come forward now with enlarged tax proposals, with more monetary policy, or with harsher restraints of another character. Rather than take up the time of this committee, I would simply say I stand on my previous position. However, I would like to include my statement before the joint committee as a detailed exposition of why I take that position.

(The statement is as follows:)

SUPPLEMENTARY STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY, BEFORE THE JOINT ECONOMIC COMMITTEE, FEBRUARY 3, 1966

During these hearings members of the committee have expressed their concern about the threat of inflation. The administration shares that concern. Its actions on the Government employee pay raise in August, the steel settlement in September, and the aluminum, copper, and steel price situations this past fall, as well as its current budget, bear witness to this concern.

There are those who propose that the administration come forward now with a program to enforce much harsher restraints on the economy than those now in effect or proposed in the President's budget. The administration disagrees with the premise that more needs to be done now. However, it welcomes the putting forward of any specific proposals since they may add to the range of contingency planning in which it itself is engaged. Indeed, it suggests that the House Ways and Means Committee or this joint committee study, review, and recommend the type of tax increases which would be most suitable if inflationary pressures require additional fiscal action.

First, let us be very clear as to the position of the administration in the uncertainties that the situation in Vietnam makes inescapable. The President has given to the Congress an unqualified commitment that "Should unforeseen inflationary pressures develop, I will propose such fiscal actions as are appropriate to maintain economic stability." He has pointed out that "The extent of the fiscal or monetary restraint that will be needed to avoid inflationary pressures will depend directly on the restraint and moderation exercised by those who have power over wages and prices." This is our answer to those who ask, "Will the Government go for tax increases later this year?"

Second, the administration does not believe it is wise to impose measures of restraint on the economy in addition to those in effect or proposed in the President's budget and Economic Report unless or until the "unforeseen inflationary pressures" develop.

We have seen too many expansions turned into recessions by slamming down too hard on the brakes. We have seen too much unemployment and underemployment too long to cut back drastically and unnecessarily on private demand to provide purposefully an idle reserve of manpower and capacity. We advocate a course of moderation and balance in dealing with any danger of economic excess as we have advocated moderation and balance in curing economic deficiency.

The national economic objectives as set forth in the Employment Act of 1946, under which this committee functions, provide that "It is the continuing policy and responsibility of the Federal Government to use all practicable means * * *

for the purpose of creating and maintaining, in a manner capable to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power."

This administration includes price stability as a goal to be sought along with these more particularized objectives of full employment and a healthy rate of growth. It believes that there is a fundamental compatibility of these three objectives and that in seeking one of them it is unwise to sacrifice the others. If one objective, such as price stability or full employment, is sought with the utmost rigor without concern for the others, this is not wise national policy.

Of course, from time to time very special situations may force one economic objective to move ahead of the others. It is quite conceivable that the threat of an inflation of such size or duration might cause stabilization of the price level to be given top priority. These black and white situations seldom occur. The more usual task is to seek price stability, growth, and high employment simultaneously and in a reasonable degree. The challenge today is to find the mix of monetary, credit, and fiscal measures best designed to achieve all these objectives, recognizing that public policies will not be adequate if some groups who enjoy and exercise substantial market power choose to push up or maintain prices or wages at unwarranted levels.

Against this background let us look at the present situation objectively and carefully with a concern that we press toward all these goals rather than become preoccupied with a single one. In this calendar year 1966 restraints which did not characterize 1965 have already been imposed upon the economy. Beginning in January an extra \$6 billion a year in social security and medicare taxes is being withdrawn from private purchasing power to flow into the trust funds. This was not true of December 1965, or November, or October.

In December 1965 the Federal Reserve Board announced two actions designed, in its words, "to dampen mounting demands on banks for still further credit extensions that might add to inflationary pressures." The full effect of these actions, which take a considerable period of time to be felt, is yet to be ascertained.

The new tax proposals recommended by the President, if adopted by March 15 as he urged, would withdraw from private purchasing power an additional \$2.9 billion during calendar 1966.

The shift in the budgetary situation from substantial deficits in fiscal 1966, brought on by the response to the challenge of Vietnam, to surpluses or minor deficits in the administrative, cash and national income account budgets has been made possible by expenditure reductions coupled with the new tax proposals.

Coming onstream in 1966 are vast quantities of new industrial capacity which are the fruits of investment made in recent years. Coming into the labor force are a million and one-half additional new entrants from the younger age group and, in addition, many hundreds of thousands are being given the benefit of manpower training to better equip them to fill the needs of the labor market. And, of course, the dwindling rate of unemployment is stimulating renewed effort in the private sector to train and better utilize the available labor force.

Given all these new factors the wise course of balance and moderation in pursuing continued growth, a higher rate of employment and relative price stability would seem to call for determining how the economy reacts to this new mix of relatively moderate restraints before adopting without apparent present reason the far harsher measures—presumably increased tax rates, direct price and wage controls, and much tighter monetary restraint.

Senator HARTKE. What is the date of that report?

Secretary FOWLER. February 3.

Senator HARTKE. That is February 3. Do you think that the attitude of the administration has changed since February 3 with regard to the anticipated length of this encounter which is now referred to as a war in South Vietnam?

Secretary FOWLER. No, sir. As I read the President's statement to the press on Saturday, the situation is very much like the statement on page 10 of his budget message—in which he outlined the uncertainties

that are inherent in the present situation and then concluded with the note that:

If, on the other hand, events in southeast Asia so develop that additional funds are required, I will not hesitate to request the necessary sums. And should that contingency arise, or should unforeseen inflationary pressures develop, I will propose such fiscal actions as are appropriate to maintain economic stability.

I think that that statement, made in his budget message on January 25, is, as I understand it, very much the same as the statement he made Saturday to the press.

Senator HARTKE. Well, is there any contention within the administration from any source with which you have talked—and I am not asking you to reveal any military secrets or any security information—is there any information of any nature whatsoever that there is an impending negotiation, that there is an impending settlement of this situation in Vietnam, that there is an impending holding of the cost to the rate at the present time, or that which was being consumed last month, for example, or the month before?

In other words, what I am asking you, do you have any information whatsoever which would justify us to plan militarily for a 3- to 7-year war and to plan financially for a 6-month war?

Secretary FOWLER. In this particular budget, and in the proposals before this committee, we are not planning for either a 6-month war, a 12-month war or 3-year war. We are planning for the period covering the fiscal year 1966, and fiscal year 1967, on the basis of facts as they were known to the President and budgetary authorities when the budget went to press.

To my knowledge, as I said to you the other day, there has been no change in those budgetary estimates in roughly the last month.

Senator HARTKE. Mr. Secretary, is the report which was printed in the papers that there is at the present time in the Defense Department preparation of the material asking for an additional supplemental for 1967 already being prepared; do you have any information with regard to that whatsoever?

Secretary FOWLER. No. To the question, Senator Hartke, of whether the 1967 budget provides for the situation as we see it now—I specifically asked the Director of the Bureau of the Budget whether the 1967 budget provides for any escalation in the Vietnam activities as we currently foresee them. I discussed it with him, and he has provided me with the following answer:

Insofar as financing the Vietnam conflict is concerned, quite obviously the 1967 budget had to be put together under conditions of uncertainty. In this budget we have fully provided for continuing the conflict without any dramatic changes in the current level of intensity through fiscal 1967. At the same time, the budget does provide the forces and equipment for an immediate response to further possible step-ups in activity. However, should the level of intensity of the conflict substantially increase, financing at higher level may require additional funds. Should such a situation develop, we will promptly ask the Congress for such funds and accompany that request with appropriate fiscal measures to maintain economic stability.

What I would like to stress—

and I continue the Budget Director's comments to me—

is that we have met these uncertainties as straightforwardly as we can. On the one hand, fully providing for the necessary financing to meet the future as we can best see it now, and frankly, telling the people and Congress that the uncertainties of the situation may require additional action.

Now, I just cannot look beyond that.

Senator HARTKE. Well, now, what was the date of that question and that answer?

Secretary FOWLER. This was in connection with my coming before this committee and knowing that there would be questions on this subject.

Senator HARTKE. Last week?

Secretary FOWLER. That is right. I assumed there would be questions of this nature presented to me.

Senator HARTKE. This is a rather involved answer.

Mr. Chairman, I do not know whether the chairman has this information, but has the Budget Director been asked to appear on these hearings?

Senator DOUGLAS. Not that I am aware of.

Senator HARTKE. I would think in view of this statement and in view of the uncertainty expressed by the Secretary here as to this position, that it would be appropriate for the Budget Director to hear him and give us an amplification of whether or not we are preparing for a long struggle here and going to finance a long struggle, or whether we are going to finance one for 6 months to a year. In other words, the President's message is 3 to 7 years. I think we have to know how we are going to pay for this war.

Secretary FOWLER. Senator Hartke, I knew——

Senator HARTKE. Just a minute.

Senator DOUGLAS. I would suggest that that suggestion be withheld until we meet in executive session rather than passed upon in open session, and at a time when the chairman of the committee can be present.

Senator HARTKE. Let's take the statement for what it is. It is very difficult to take a written answer to a question submitted by a witness and then try to find out what the person who gave the answer really meant. I think it is very difficult, but we will try the best we can.

Now, he says that at present levels, to continue the effort at present levels, is I think the wording you gave me, and I don't have a copy of it, but I assume that is what it said, and with no escalation, does that mean——

Secretary FOWLER. No. The question was, "Does the 1967 budget provide for any escalation in Vietnam activities?" One sentence goes to your point. It says:

At the same time, the budget does provide the forces and equipment for an immediate response to further possible step-ups in activity.

So there is some margin provided for additional escalation. However, it contemplates that there might be further developments that will require further financing.

Senator HARTKE. This is what I am trying to find out. Senator John Stennis has made the remark on the floor of the Senate that we will have 600,000 troops there by the end of the year. What I am trying to find out, does this present request by the Treasury in its tax proposal, is it sufficient to cover for 1967 400,000 troops, 205,000 which we have now, or the 600,000 which Senator Stennis mentioned in his floor speech?

Secretary FOWLER. I have no knowledge as to the magnitude of troop commitments that the present budget would cover. I can only——

Senator HARTKE. Does the Secretary of Defense give us any idea as to whether or not the nature or the amount of additional financial requirements that are going to be entailed by the so-called continuation of the effort at the present levels?

Secretary FOWLER. I know the Secretary has been appearing before various committees. I am not able to——

Senator HARTKE. He didn't appear before the Foreign Relations Committee. He refused to appear in public. I don't know whether he is going to appear in private. I think maybe possibly——

Secretary FOWLER. It is my understanding that a number of very detailed statements have been made by the Secretary of Defense to the Armed Services Committee. What I am saying is that I am not familiar with the comment in those statements as to the magnitude of the forces that would be funded by the budgetary request in 1967.

Senator HARTKE. I do not want to become involved in security measures and I am not asking for statements now, but I am asking you as a matter of fact does the Treasury Department consult with the Department of Defense on these matters? Do you have in your Cabinet meetings, does the amount of money which is going to be required to pay for this operation, is it discussed or is it not discussed, or is there a communication between the Departments in this field?

Secretary FOWLER. Communication between the Departments in this field, Senator Hartke, primarily flow through the Bureau of the Budget in the President's Executive Office. Insofar as the expenditure projections are concerned, and insofar as trying to meet those expenditure projections with revenue, we deal with the Director of the Bureau of the Budget and not collaterally with the various departments and agencies concerned.

Senator HARTKE. In other words, what you are saying is they tell you how much money to raise and you are supposed to find out how to raise it?

Secretary FOWLER. That is correct.

Senator HARTKE. Is that fair?

Secretary FOWLER. And the Bureau of the Budget is the coordinating arm to bring in the estimate on expenditures from the many departments and agencies concerned, including the Department of Defense. Therefore we do not have any day-to-day, or week-to-week, detailed exchanges collaterally with the individual departments.

Senator HARTKE. Mr. Chairman, just for the sake of the record I would like to again put forth the proposition that this is another indication why it is very necessary that the Director of the Budget appear before this committee, and I want this noted at this time so it is not indicated that it was passed up, that the opportunity was passed up. I don't want to waive any rights in this regard.

Senator DOUGLAS. When the committee meets in executive session, and when the chairman of the committee is present, I think it would be very appropriate for you to raise that matter.

Senator HARTKE. Now, in this regard, though, we have the past to look to and the same question of communication and how this Govern-

ment coordinates its war plans with its finance plans for the war presents some problems in this specifically last year when we had before this committee a war which possibly accelerated during the year at a gradual but steady rate. When was the first time that the Treasury was notified by the Budget Bureau that there was going to be a substantial increase due to the escalation of the war, and therefore a substantial increase in the deficit which would have to be financed by borrowing or increased taxation?

Secretary FOWLER. I don't recall the precise date, Senator Hartke, but my recollections are that following the announcement of the Presidential decisions on July 28, 1965, we became aware, in general terms, as did the American people, and the Congress, that there would be substantial increases in the financial requirements. The general order of magnitude, and the amounts, were not known, I don't believe even to the Secretary of Defense, until many months later.

Senator HARTKE. Well, we did know as far back as August, at least, of 1965, in the hearings which were held at that time, that we were going to have at least an additional appropriation of \$1.7 billion at that time, which means that before August somebody had to know or surely knew in the Government someplace that this was the immediate request, and we also knew at that time that that was not going to be sufficient, that we were going to have to have a substantial increase above that amount.

Isn't that true?

Secretary FOWLER. I think in August and in September, Senator Hartke, everyone in the country knew that there would be substantial requirements. As I recall it, the \$1.7 billion, special appropriation was for the so-called long leadtime items that Secretary McNamara identified when the orders had to be placed long in advance in order to meet possible contingencies that might arise.

Senator HARTKE. Well, the information certainly should have been known at least in the Defense Department. They had to know sometime before those hearings in August that this additional amount of \$1.7—that amount had to be put together before it was sent to Congress, and it was done in August, isn't that right?

Secretary FOWLER. I don't recall the date in August, but it was done in August, to my recollection.

Senator HARTKE. August 1965. Now, then, after that, of course, they said at the time of those hearings it was clear that the \$1.7 was only a part of the financing—I am speaking about financing now—required for the 1966.

Isn't that true?

Secretary FOWLER. That is right.

Senator HARTKE. Now, at that time did the Defense Department notify you that in any amount whatsoever, give you any estimate of how much more they were going to have to spend?

Secretary FOWLER. No, sir.

Senator HARTKE. Did the Budget Bureau give any estimate as to the additional amount?

Secretary FOWLER. No. The general impression that I obtained from the Director of the Bureau of the Budget was that there would

be a requirement for substantial additional outlays and that the budgetary problems for fiscal 1967 would represent quite a change in budgetary outlook from what had been previously contemplated. I began to say at that time that the first casualty of Vietnam on the economic front was the prospect of further tax reductions that had been under some discussion prior to that time. I think you are familiar with the general statements and comments that were made during the fall and that this new situation would call for a new budgetary approach which would preclude any possibilities of tax reduction. Whether or not it would require tax increases, or some of the devices that are employed in this bill, naturally depended on the amounts that would ultimately be determined as necessary to meet requirements of Vietnam as well as what would happen to the other parts of the budget—the sector of the defense budget not related specifically to Vietnam, to the other departments and agencies of the Government, and to other expenditure programs of substantial magnitude.

Senator HARTKE. Let's come on back. In other words, we had their recognition at least that it was going to be substantially more than 1.7, isn't that true? Before we adjourned the Congress. And immediately following the elimination of the excise taxes which are now being asked to be reinstituted. Isn't that true?

Secretary FOWLER. While we are on that particular subject, may I say that in the hearings before this committee last June 8 and 9—when the question came up about going beyond the administration proposals on the automobile tax—I was asked specifically by the committee whether we favored the House bill which went 4 percentage points beyond the administration proposal. We said that we did not favor the House bill and that we hoped the lesser reduction would be acted upon by the Congress. There were a number of questions and answers about holding off on that. Now——

Senator HARTKE. Let me ask you, Mr. Secretary, you have the record there and it certainly ought to reveal this if it is true. Was that holding off request being made on the reduction of automobile taxes made on the basis of information that you had received?

Secretary FOWLER. No.

Senator HARTKE. The cost of war was going to escalate.

Secretary FOWLER. No, it was for various reasons. For example, Senator Long said:

Mr. Surrey, if during the next:

I quote from page 30—

if during the next 2 or 3 years we should run into an emergency situation, in other words, suppose the war in Vietnam got to be a hot war and we got engaged in other areas where we had to raise a lot of additional revenues, would this very tax here on automobiles be one of those that you might very well have to recommend either putting back on or further deferring the cancellation of in the event that we had voted to take only 5 points off?

Mr. Surrey replied;

I think so, Senator. As I indicated this is a tax where the revenue is large, but it is the kind of tax where to collect that large amount of revenue is no particular burden on the manufacturer involved and no particular burden on the Internal Revenue Service.

Senator HARTKE. The burden is only on the people who buy the cars.

Secretary FOWLER. That is right.

Senator Long goes on to say :

In the event we don't go along with the House in this particular matter, do you see any impediment to our deciding at a later date if the thing works out the way we hoped it would and the economy continued to prosper, to repeal this tax and phase it out the way the House bill recommends?

Mr. SURREY. No, I don't. That is our position that future Congresses can take a look at this, make up their mind in the light of the situation at that time.

And there were similar exchanges looking to the prospect that there may be a designation.

Senator HARTKE. The whole point about it was at that time none of the action taken in front of the committee was based upon information which you had received from the Department of Defense directly or indirectly, either from the Secretary of Defense or from the Director of the Budget, is that correct?

Secretary FOWLER. That is correct. And I think in the House hearings on the excise tax bill, the then Director of the Budget, Mr. Kermit Gordon, appeared and testified concerning the posture of the budget and the expenditure outlook as he saw it at that time. He said that he felt that the \$700 million additional military appropriation that had been proposed in May could be taken care of by other economies in the budget.

Senator HARTKE. All right. Now let's come on back to this thing.

Secretary FOWLER. I think that was the debt hearings, Senator Hartke.

Senator HARTKE. After the excise tax had been acted upon in the Congress, did the Director of the Budget at any time ever tell you the magnitude of the deficit which was anticipated for fiscal 1966 before Congress adjourned?

Secretary FOWLER. My recollection, Senator Hartke, is that he gave me a clear indication that we would have a very serious budgetary problem for fiscal year 1967, which we would have to take very heavily into account in the preparations for the 1967 budget and in trying to hold down the expenditure levels in the fiscal 1966 budget. Various questions were up at the time. For example, the question of the civilian pay bill, as you remember, was up, and that was a serious consideration because of its impact on the 1966 budget, as well as the 1967 budget—and the President took the position that the bill as passed by the House was not acceptable.

Senator HARTKE. I am willing to listen to these long answers and these other little items that you want to drop in. That is perfectly all right. But I would like—what I am trying to establish right now, I am going to tell you what it is. I am not trying to beat around the bush. What I am trying to find out very simply is where the line of communication broke down and just when it broke down and when it was reestablished, if it has been reestablished, in regard to the cost of this effort in Vietnam. That is, where in a period of time from the time when we came in here and reduced the excise taxes upon the recommendations of the administration with very serious charges that these were regressive taxes, that they were on the board, that they were the type of taxes which absolutely were, in the opinion of the

administration generally, the type of taxes which should have been abolished a long time ago, all of which I agree with, incidentally, but I am trying to find out when the change of attitude occurred and when the information change occurred. What I am trying to find out is simply this. When if at all did the Director of the Budget indicate the size of the financial problem for fiscal year 1966? Was it before Congress adjourned, in the interim between Congress' adjournment and the time that the President made his state of the Union message, which was the first public declaration? Was it after the state of the Union message immediately following the time we had that information? Where in point of time was the information first transmitted from the Budget Bureau to the Treasury Department which has to finance the governmental expenditures? Where did this occur? When did the magnitude of the deficit occur?

Secretary FOWLER. The order of magnitude, Senator Hartke, as I have indicated before, could only be determined in connection with the budgetary process as reflected in the President's budget document. What the exact order of magnitude of these figures—the increase in military requirements—would be, what their incidence would be, when they would have their impact, where matters that all had to be developed and presented in connection with this budget document.

Now, we were all aware following the President's statement on July 28, and following the presentation of the appropriation of the additional \$1.7 billion, that there would be very substantial additions to the 1966 budget and over and beyond that, into the 1967 budget. But precisely what those magnitudes were, and what the timing was on when they became known, you would have to get from the Secretary of Defense. I don't have it.

Senator WILLIAMS. Would the Senator yield at that point?

Senator HARTKE. Just a moment. I might suggest in view of this statement that possibly the Secretary of Defense could come here and testify on figures and statements on finance, because we are expected here to—not on procedures, not upon the war strategy, but how you are going to finance this war which the President has indicated now is planned for a 3- to 7-year war, that possibly he should be, and I think this would be a matter of discussion in executive session.

Senator DOUGLAS. The Senator from Indiana can propose that in the executive session. The acting chairman will merely remark that the Secretary of Defense testified before the Armed Services Committee, though he has not testified before the Foreign Relations Committee. He had certain communications. Now, if we call these men before every committee of the Congress which has any tangential relationship to the subject, the administrative officers won't have time to do any work at their desks, and while I appreciate the suggestion of the Senator from Indiana, I think it very properly could be decided by the committee as a whole. I ask that we have a certain compassion for these hard-pressed Cabinet officers.

Senator HARTKE. With all due deference to the acting chairman, I might say this. It wasn't this Senator that suggested those facts would have to be secured from the Secretary of Defense. It was the response to the question made by the Secretary of the Treasury that if

these facts were wanted, they would have to be secured from the Secretary of Defense. Maybe we can have one of his assistants come on in. I am not—maybe he has a budget director down there. Certainly somebody down there ought to be willing to tell us about what we are expected to pay for. I think we have an obligation to this country to tell the truth about how much we are going to be spending here and how we are going to pay for it.

Senator DOUGLAS. What is——

Senator DIRKSEN. Will you yield?

Senator HARTKE. The Senator from Delaware asked me to yield. I will be glad to.

Senator WILLIAMS. I was just going to ask this question, Mr. Secretary. When you discovered last, you said, July and August that there had been an acceleration and that you were going to be confronted with these problems, why did you not come down to the Congress and ask for cancellation of the tax reductions that you had proposed in June and the ones that were scheduled to go into effect January 1, rather than let them go on again and off again as you are now doing?

Secretary FOWLER. They are not going on again and off again, Senator.

Senator WILLIAMS. They are not?

Secretary FOWLER. We are not asking that the excise taxes that were repealed by the Congress and went completely out of our tax system on July 1 or January 1 be restored.

Senator WILLIAMS. Is that the reason you call this an adjustment back rather than a tax increase?

Secretary FOWLER. I didn't coin that name. That was coined in the——

Senator WILLIAMS. By the Great Society?

Secretary FOWLER (continuing). In the House Ways and Means Committee. You will have to ask them their reasons for the title of the bill.

Senator WILLIAMS. I will pursue that a little later. Go ahead, the Senator from Illinois.

Senator DIRKSEN. How many outstanding issues of Federal bonds will we have to refinance in fiscal 1967, if you have got a round figure? And you can correct later if you want.

Secretary FOWLER. In order to be completely accurate on that, Senator Dirksen, I would like to supply that for the record. We will, of course, have to regularly turn over 3 month bills, 6 month bills, and yearly bills as they mature. Insofar as major financing problems are concerned, I think it is fair to say that we have broken the back of our problem as we see it in the months ahead by the February financing which took out a very substantial portion of the issues that were coming due in April, May, and August, in addition to the notes maturing in February. There were five issues there. Therefore, instead of having to go into the market to refund very sizable public holdings in May and August, by the advance refunding those have been substantially reduced so that their order of magnitude is not such as to cause either any concern to us or to the market.

Marketable securities maturing in fiscal year 1967 as of Jan. 31, 1966

[In millions of dollars]

	Total	Held by	
		Federal Reserve and GIA	All other
Certificates, notes, and bonds:			
1966:			
Aug. 15:			
3-percent bond ¹	699	48	651
4-percent note ¹	8, 441	5, 875	2, 566
Oct. 1: 1½-percent exchange note.....	357		357
Nov. 15:			
3¾-percent bond.....	1, 851	238	1, 613
4-percent note.....	2, 254	566	1, 688
4¾-percent certificate.....	1, 652	1	1, 651
1967:			
Feb. 15:			
3¾-percent note.....	2, 358	313	2, 045
4-percent note.....	5, 151	3, 222	1, 929
Apr. 1: 1½-percent exchange note.....	270		270
May 15: 4¼-percent note.....	9, 748	6, 788	2, 960
June 15: 2½-percent bond.....	1, 430	152	1, 278
Subtotal.....	34, 211	17, 203	17, 008
Weekly and annual bills:			
3-month bills.....	16, 024	9, 443	44, 614
6-month bills.....	26, 025		
12-month bills.....	12, 008		
Total.....	88, 268	26, 646	61, 622

¹ Adjusted for Feb. 15, 1966, exchanges.

Senator DIRKSEN. The reason for the question, I see a figure in a financial sheet that the larger banks certainly are loaned up to 63 percent of balance, both time and demand. Now, if that is true, that is probably the highest percentage of bank loans in the history of the country, and it would mean that if you don't have a tight money policy, we will certainly have—if you have a tight money policy your interest rate on refinancing will be higher. Now, I have seen speculations here. Treasury may have made as much as 5½ percent before they get through. If that is the case, then the amount would be substantially higher actually than the figures show.

Secretary FOWLER. It might well be, Senator. That would depend, as you say, on the trend of the money market. We did take advantage of a good market opportunity that existed in late January and early February to achieve some moderate debt extension and lighten the nearby calendar of financing, that is, through the spring and summer. But events will simply have to determine what the situation will be in the fall and in the winter. Your surmise about it might turn out to be correct. On the other hand, I would not want to venture any agreement or disagreement with that particular assumption. We think we are in fairly good shape as far as our financing needs are concerned over the next 6 months, and we believe that with this February financing behind us, and with the benefit of this bill, should it be enacted, we will be in fairly good shape.

Senator DIRKSEN. One other thing. In the budget you show \$9.7 billion for net interest paid in 1967, and you use the word "net" because you accepted with the interest received by States and subdivisions and individuals.

Now, heretofore I have no recollection that we used the term "net interest rate" and extended it so that the interest on the public debt as of now——

Secretary FOWLER. The expenditure for interest is set forth in various places in the budget document, for example, on page 19 in the table "Payments to the Public." The estimate for interest fiscal year 1967 is \$12.9 billion.

Senator DIRKSEN. Thank you.

Senator DOUGLAS. Are there any other questions?

Senator SMATHERS. I would like to ask three short questions, if I may, Mr. Chairman.

Senator HARTKE. I am perfectly willing to wait. I will yield to the Senator from Delaware and to the Senator from Illinois. I will be glad to go ahead and waive my time if the Senator from Florida wants to ask questions. I want it first understood that I am not trying to take anybody else's time. I sit down at this end of the table and—I will take my time whenever it comes to me.

Senator WILLIAMS. After the Senator from Indiana gets through I will have a couple more questions to ask.

Senator DOUGLAS. The Senator from Florida.

Senator SMATHERS. Mr. Secretary, with respect to the reasons why you took this approach to meet the increasing demands of the cost of the war in Vietnam rather than the investment credit repeal, can I ask you this question. If you had followed the investment credit repeal rather than this particular approach, how soon would any money have come into the Treasury for the purposes, we will say, of financing the war in Vietnam?

Secretary FOWLER. It would depend upon the way in which the suspension or repeal were enacted. I believe, in fairness to those who had initiated expansion plans, placed orders, and commenced projects in reliance on the investment credit which is available to them when they complete the project, that Congress would provide an exception for projects which are underway. Assuming that that would be the judgment of Congress, we would not reap any revenue benefits from the suspension of the investment credit of any general magnitude during this fiscal year under the formula of Senator Gore's amendment. According to our calculations, in the next fiscal year we might receive benefits of about a billion dollars.

Senator SMATHERS. So, then, the answer is that if we followed the repeal of the investment tax credit, there would not be any, in your judgment, additional revenue to the Government this year.

Secretary FOWLER. For fiscal 1966 gain would be zero on the repeal as provided in Senator Gore's bill. We may be a little high on our estimate for 1967. We are recalculating it now.

Senator SMATHERS. Now, when you decided to make this recommendation to the Congress was one of the conditions, upon which you based this judgment, that this particular recommendation would lessen the demand for goods which apparently are now going into short supply? In other words, was your purpose also one of dampening what you might say was the beginning of the fires of inflation?

Secretary FOWLER. The general bill as a whole had two rationales.

The primary rationale, and the one on which I think there is the most emphasis, is that we need this money in order to finance the costs of the war in Vietnam.

Senator SMATHERS. Right.

Secretary FOWLER. A secondary consideration is that the consequences of the bill will, and I make no contention that it is a harsh measure, will be that in a moderate way it will tend to restrain the growth of demand. The drawing out of revenues from private purchasing power, which under this bill in the calendar year 1966 will be in the order of magnitude of about \$2.7 billion, will have some restraining effect on the economy.

Senator SMATHERS. Now, the third and last question. Was it your belief, and it is your belief as I understand it, that the investment tax credit actually is an incentive for the building of more capacity so that there will be a greater supply of goods which would mean that there would be less pressure for increased prices, and less likelihood of inflation?

Secretary FOWLER. That is very definitely one of the reasons why we did not choose the investment credit approach. We also have to keep in mind as an important consideration that our balance of payments is still a continuing problem. As I just indicated in response to questions by Senator Talmadge, it will continue to be a long-term problem.

Therefore, we want to keep our economy as efficient and as competitive with other economies as possible. As you will recall, one of the original purposes for enactment of the investment credit was to encourage investment in facilities and machinery that would increase productivity and maintain it at a very high rate.

Senator SMATHERS. In the United States?

Secretary FOWLER. In the United States.

I would like also to observe in connection with this, just as a general comment, that when you have an expansion in demand, the best way to meet it is to expand supply, which means expanding facilities. As you will recall, during World War II and the Korean war, in order to expand many of the facilities that you might say are induced by the investment credit, Congress made special emergency tax amortization processes available.

In my response to your inquiry, Senator Smathers, on Friday as to desirability of suspending the investment credit, I indicated some of the reasons why we considered such a suspension to be unwise. I would like now to recapitulate and supplement the points made in our previous discussion.

1. The investment credit is a sound, long-range measure which provides incentives for expansion and modernization of our productive capacity.

2. The credit encourages technological advance and the introduction of more efficient processes, which increase our productivity and enable the economy to deal with the periodic wage increases which are characteristic of our economy without price increases.

3. In this way, as well as by making investment here more attractive, the credit helps us to deal with our balance of payments.

4. The investment credit is not suitable as a short-range restraining measure—cash flow or revenue effects are delayed. The credit be-

comes available as the investment project is completed. As a matter of good faith and fairness, a suspension would have to provide an exception for projects already underway or contracted for prior to the effective date. The impact of the suspension in terms of both raising revenue and restraining the cash flow to investing business would therefore be delayed by a considerable period, reflecting the leadtime involved in most investment activity. The real impact of the suspension might not hit us for a year or so following the effective date of the suspension.

5. Leadtime in modern investment involves more than contractual commitments: In this connection, I would point out that in taking action to suspend the credit, even if prior "orders" or contractual commitments were excepted, considerable injustice and disruption would be caused to businesses which have already gone ahead with "in-house design" and other preparatory activities for making new investments. Leadtime, viewed realistically, often involves various steps including extensive plant design carried out by the investing business itself. Suspending the credit on projects on which extensive preparatory work has been done may involve about the same losses or penalties to taxpayers as cancellation of an outstanding contract. For obvious reasons, however, it would be difficult to draft a suspension provision which would take care of investment already started in the sense described here.

6. Problem of unused credit carryovers: Businesses are allowed a 3-year carryback and a 5-year carryforward of unused credits—denied currently by the 25 percent of tax and related limitations. Substantial unused credits have accumulated, possibly at the rate of \$300 million a year. It would be harsh to deny the use of the unused credit carryover if the current credit were suspended. Removing the credit currently would increase the availability of substantial amounts of credit carryover. The exact amount of this effect is difficult to estimate, but it could potentially cancel a considerable part of the revenue effect of a temporary suspension.

7. Suspending the investment credit may hit the small plants hardest: The available evidence indicates that the investment leadtime, including design and procurement, varies directly with the size of the plant. Productive facilities for equipping small plants can be designed and completed in a fraction of the time required for large facilities. Temporary suspension of the credit would thus hit small plant construction soonest and hardest. The equipping of large plants already contracted for could go on for a longer time, still receiving the credit on completion, and large plants could be started after the effective date of the suspension, looking forward to completion after the date the credit is restored.

8. Return of uneconomic "repair and maintenance" of outmoded equipment: The credit has apparently been helpful in discouraging previous practices of repairing antiquated equipment to eke out its industrial life. Prior to the credit, taxpayers often preferred to spend money keeping the old machine going, partly because they felt they could get current tax deductions for these outlays. The investment credit tipped the balance in favor of getting modern equipment. Suspension of the credit may send many businesses back to the uneconomic

repair and maintenance practices so that their expenditures can be expensed for tax purposes. This would not only be bad for our technological progress but also would involve demands on the economy and revenue decreases which would offset both the economic restraint and revenue contribution of suspending the credit.

9. Suspension of the credit might prove to be most effective in curtailing the type of investment that makes the most anti-inflationary contribution: Suspension of the credit would operate most promptly and effectively on equipment which has a short leadtime between order and delivery and which bunches its contribution to production within a short period of time (that is, has a relatively short useful life). This type of equipment would help round out productive capacity in the next year or two. On the other hand, the long leadtime equipment with a long useful life would be much less affected by suspension of the credit because completion could be scheduled 2 years or so hence, when the credit was to be restored.

10. Suspension of the credit would create imbalance in the 1966 revenue program and apply too severe a restraint on investment: The program provided in the bill before the committee relies heavily on restraint of corporate cash flow and liquidity to apply a moderate restraining factor on the economy. Of the \$4.8 billion revenue total for the fiscal year 1967, \$3.2 billion, or about two-thirds, is derived from the acceleration of corporate tax payments. This in itself will provide a moderate and salutary restraint on investment. The other increases in revenue affecting purchasing power generally will also operate to moderate expansive investment activity. If a suspension of the investment credit is added to the program, it will concentrate too much on the business sector and run the risk of slamming on the brakes too hard.

Senator SMATHERS. I want to yield to the distinguished acting chairman at this point.

Senator DOUGLAS. I would merely like to remark that there is an ironical paradox and contradiction between the monetary policy of the Federal Reserve Board and the Government on the one hand, and the tax policy of the administration on the other. The effect, of course, of increasing the interest rate initiated by the Federal Reserve Board but now acquiesced in and approved by the Treasury, is to restrain investment, and that was certainly one of its purposes, to restrain investment by increasing the cost of long term borrowing.

But on the other hand, now the Treasury defends the investment credit refund on the ground that it stimulates investment.

Secretary FOWLER. Once—

Senator DOUGLAS. Just a minute. I think I have got a bon mot here coming that I don't want to cut myself off. It reminds me of the character in Stephen Leacock's story, who mounted his horse and rode off in all directions. The front legs of the horse restraining investment, the rear legs of the horse stimulating investment, and the horse itself being torn in two by these conflicting forces.

Secretary FOWLER. If I could put a slightly different version on this, Senator, it would be this. We accept the fact that the corporate acceleration will cause a review of marginal investment projects on the part of the 16,000 companies affected, and may result in some modest

or moderate reevaluation of whether or not they should be carried through. This is an incidental result of the corporate acceleration. The purposeful result of the corporate acceleration was to acquire the additional revenue in a very substantial amount to help bring the budget into more approximate balance.

Senator DOUGLAS. The Senator from Indiana.

Senator HARTKE. I think the Senator from Illinois has put his finger on what I was eventually going to come back to, and it is all right with me that he has done it very quickly, and that is the fact that there seems to be a lack of communications here. I want to find out when we can't put that back together and have people start talking to each other in the administration so that we have the corporate acceleration holding back investment, we have the increase in the interest rate by the Federal Reserve Board holding back investment, and here we have the retention of the investment credit to increase investment.

I just wonder if these policies are discussed or whether there is some explanation which I have missed.

Secretary FOWLER. They have been discussed a great deal. As you know, from the colloquy last Friday, we do not always see eye to eye. This is not because of a failure of communication or because of a failure or lack of discussion. It is just that insofar as the action of December 6 is concerned, there was a difference of opinion.

Senator HARTKE. Let me ask you, then, an obvious question, I think, and that a lot of talk again, and it seems that some of these conversations in the press, and so forth, do have a way of sometimes becoming policy, a lot of discussions in banking circles, some which I talked to quite honestly say that they anticipate another increase by the Federal Reserve Board in the discount rate. What is going to be the policy of the Treasury, since Bureau of the Budget is not here and Federal Reserve Board is not here, what is going to be the policy of the Treasury if within the very near future there is another proposal to increase the interest rate? I know we have a new member of the Federal Reserve Board. Maybe we can make him the swing vote, have a little influence on him, more influence than we had in the past, since it was a 4-to-3 decision.

Secretary FOWLER. All I can say on that subject now, Senator Hartke, is as I have stated on February 3, to the Joint Economic Committee, that as I see it now, given all the new factors that are present in the situation, the wise course of balance and moderation in pursuing continued growth, a high rate of employment, and relative price stability, would seem to call for determining how the economy reacts to the new mix of relatively moderate restraints before adopting far harsher measures which would include, of course, tighter monetary policy.

Mr. Chairman, since the question has been raised by various Senators as to what the position of the Treasury is on why we do not advocate more action now, I would like to make my statement to the Joint Economic Committee a part of the record in order that our position may be completely understood.

Senator DOUGLAS. Without objection, that will be done.

(See p. 160.)

Senator DOUGLAS. The Senator from Indiana.

Senator HARTKE. Let's go back and I will try to pick up again where we left off when the Senator from Delaware was questioning. I

thought his question was very appropriate and I was going to ask basically the same question. But I would like to come back to the question raised by the Senator from Florida.

On this investment credit, as I understand the answer from the Treasury was that you could not hope to reap any benefits in this year but in the neighborhood of about \$1 billion next year; is that correct?

Secretary FOWLER. We are making a further study of the revenue constants and that figure may turn out to be high. But in any event there will be a substantially delayed revenue benefit from it.

Senator HARTKE. So there is no misunderstanding about this, it is fair, in executive session, if I report the testimony of the Treasury that on the investment credit, that if it were repealed or suspended at this time, say for a period of 2 years, which in effect would be a temporary repeal, if it were repealed or suspended, there would be no revenue come to the Treasury this year.

Secretary FOWLER. Senator Hartke, my whole answer was prefaced on the assumption that Congress would include in any suspension or repeal a provision exempting those projects which were underway or which had been undertaken in reliance upon the existence of the investment credit. Given that kind of provision in the law, the figures are as I indicated.

Senator HARTKE. The amount would, according to the best estimates you have, be in the neighborhood of that.

Secretary FOWLER. That is right. We will have refined figures for the executive session, but I think they will be at that level or lower.

Senator HARTKE. I might say to you if you are going to have them for the executive session, the acting chairman has just informed me that the chairman wants to act upon the Senator from Tennessee's proposal at 12 o'clock noon, so you have got 25 minutes to get those additional figures in here.

Secretary FOWLER. We will stand on the figures I gave you.

Senator HARTKE. You will stand on the figures, then. All right.

Now, one element which is just a side element for the moment, that is this: In this regard you feel that the Congress must act fairly with its taxpayers and therefore would probably exempt that portion of their investment policy which already has been acted upon in reliance—

Secretary FOWLER. Action in reliance, that is correct.

Senator HARTKE. Of course, we are not doing that in the case of the acceleration, are we?

Secretary FOWLER. No, sir.

Senator HARTKE. We are telling them on acceleration that even though we passed a law last year which provided that acceleration should be extended over several years, that we have now changed our policy, which the Government has a right to do, that we are now recommending that the acceleration be speeded up and—an escalated acceleration; is that right?

Secretary FOWLER. That is right.

Senator HARTKE. All right. And therefore, if they have relied upon this and it causes any difficulty in these corporations what relief do you suggest that we in Congress give to them?

Secretary FOWLER. None.

Senator HARTKE. None.

Secretary FOWLER. I think they are two entirely different cases, and the order of magnitude—

Senator HARTKE. No question they are different cases. They just affect different taxpayers.

Secretary FOWLER. I think the effect and difficulty involved in taking care of the cash flow problems that are a consequence of corporate acceleration are entirely different from the withdrawal of a tax credit which really changes the liability of the taxpayer—not the speed or time of payment.

Senator HARTKE. Well, on the cash flow element of that, this will affect him in regard to his cash flow—what if he doesn't, what if he hasn't made allowances for this? I know that your answer is that it doesn't present a serious problem, but what if they have to go out and borrow this money? Isn't this going to be an added expense to them in this business this year?

Secretary FOWLER. Yes, indeed. This is a consequence of the incidence of acceleration.

Senator HARTKE. In fact, what he is going to have to do is borrow money to pay the taxes which he ordinarily, last fall, based upon the action of Congress, would not have anticipated he would have to pay.

Secretary FOWLER. I think the general practice, at least most of the corporate practice that I know anything about, is that you accrue funds to meet these taxes. You keep them. You put them in bills, in commercial paper, or something of that nature, but you accrue the funds to meet your taxes as a current matter.

Senator HARTKE. This is a bookkeeping entry.

Secretary FOWLER. There may be some companies that don't follow that practice, but that certainly is the standard practice.

Senator HARTKE. But when they figure out their whole balance, when they make their determination for their operations for the year, they go ahead and anticipate this is going to be paid not in March, say, of 1965, but, for example, generally speaking, the figure is going to be paid in April of—April of 1965—in April of 1966. Isn't that true?

Secretary FOWLER. Undoubtedly the funds which they presumably have accrued and have invested in bills or commercial paper will have to be called on in larger amounts in April and in June of this year than was contemplated. Instead of paying 9 percent of their estimated tax, 12 percent will have to be paid.

Senator HARTKE. I think that we agree with that.

Now, the point, though, remains that you anticipate that the Congress is going to be fair to the taxpayer on one aspect, but you say that you are going to have to go ahead and take advantage of him on this other aspect. Isn't that true, now, really?

Secretary FOWLER. If you would include the fact that one would be a change in what you owe the Government. This is a much different question than the rate at which you have to pay the Government. Congress has on many occasions changed the timing and scale of collections, and it has had different consequences for different taxpayers.

Senator HARTKE. In the same field, the excise tax field, there is a change, too. Certain places have acted upon the basis of the actions

of Congress, I mean these telephone companies, for example, have notified their consumers they have had to change all their procedures, too, isn't that correct?

Secretary FOWLER. I don't think they had to change their procedures in any substantial way. They still have to send a bill. They simply changed the calculation of the tax from a 10-percent rate to a 3-percent rate. They will have to reset the computers to bill the tax at a different rate.

Senator HARTKE. Now, I am not an expert in these computers, but the point is, IBM informs me there is an expense involved in this, and for the small companies it is small, but proportionately very large, that for the large companies, of course, it is a larger amount, but proportionately very small, is that true?

Secretary FOWLER. I would like Mr. Surrey to speak to this in detail. This change will not cause substantial administrative hardship.

Senator HARTKE. Let's come back to that in a moment. What I am trying to get in this little side excursion is the fact that we have now established a principle which we anticipate we will act on in order to protect the taxpayer in one field upon his anticipation, the tax consequences as a result of change in tax policy, but in the other case we are not, isn't that true?

Secretary FOWLER. We looked at these two different situations and one is more serious than the other.

Senator HARTKE. Only a question of degree.

Let's come back to the whole problem again. Back to the tax credit, which the Senator from Florida has raised. I have not raised this question. The Senator from Tennessee raised this question.

Isn't it true that no matter when you make that change on investment credit, if you make it now, next June after you have had a reassessment, next May, as most people have indicated when you will be back, I don't know—these people seem to have some special psychic approach.

Secretary FOWLER. They have psychic approaches, Senator, I don't understand?

Senator HARTKE. Whenever they come back, if you are going to change the investment credit at that time, the same leadtime would be involved, same action involved, and then you would be dealing with whatever period is in the future before you would have any substantial reaping of results to the Treasury.

Secretary FOWLER. That is correct.

Senator HARTKE. So no matter what you do in this field, there is a delayed reaction.

Secretary FOWLER. That is right.

Senator HARTKE. So if this is going to be the policy, if the Congress wanted to take this, they would probably be better advised to do it at their earliest possible moment rather than at the latest moment, if they wanted to have the least possible number of cases which they would have to create an exception for.

Secretary FOWLER. If all of the reasons that have been advanced as to why it was unwise to do it are overborne by the Congress, then I think Congress should look at the revenue requirements as it sees them.

As you say, the same time problem will be present whenever the Congress deals with this particular tax credit.

Senator HARTKE. In regard to investment tax credit, as I understand, the Senator from Florida indicated that this would create a greater capacity and greater supply of goods which therefore would result in less likelihood for inflation. Is that—and the Secretary answered that in the affirmative.

Secretary FOWLER. I agree with that statement.

Senator HARTKE. As I understand also, in answer to another question, the purpose of this bill, as I think you used the word, the consequences, the secondary consequences, were moderately intended to restrain the growth of demand. Is that true?

Secretary FOWLER. That is a secondary consideration. The primary consideration is to raise the funds to finance the war.

Senator HARTKE. I am just taking these two points. In other words, this was in answer to questions from the Senator from Florida, that we have on the one hand the rationale, the secondary consequences of this bill, moderately tend to restrain the growth of demand. And on the other hand we have investment tax policy which is intended to create an increase in the supply of goods.

Now, if that is true, how are we—we have an increase in the supply of goods and restraint on the demand—who is going to buy this increased supply of goods?

Secretary FOWLER. As my statement of February 3 indicated, in looking at the problem of whether inflationary pressures require certain actions, I think it would be wise policy, as I have said before, to see how the economy responds to the new combination of measures, which include this particular bill, before going, as many are advocating today, into much harsher measures.

Senator HARTKE. Let me ask you this as an alternate.

Secretary FOWLER. I think this is another element of moderate restraint. As I say, you can capsule it by saying that if this bill is adopted by March 15, it would withdraw from private purchasing power an additional \$2.7 billion during the calendar year 1966. That is a measure of its restraint.

Senator HARTKE. All right. Now, what if the Congress on the investment credit, instead of completely suspending its operation or repealing it, would provide for its temporary suspension and give to the President the authority to make the determination into which field investment credit was desirable? Now, we have the so-called guidelines in front of us, in which the President is making under his Council of Economic Advisers the determination as to whether or not the price increases are within the guidelines or whether it is justified and the wage increases, whether they are justified.

What would be wrong with providing the President with the authority to make up his mind as to whether or not we should have increased production of automobiles and increased production of pin-ball machines and bowling alley equipment, and items of this sort, and whether or not the investment should be permitted in the field of those items which are necessary for the prosecution of this war?

Secretary FOWLER. Senator Hartke, given a situation comparable to World War II or to the magnitude of the buildup in the Korean

war, I think such a selective use of tax amortization or tax advantages would perhaps be desirable. I do not believe it would be desirable at this time to modify the generalized treatment of the taxation of new machinery and equipment and place in the Treasury or some other department of the Government the determination of what expansion was particularly related to the military effort, as we had to do during these two previous wars, and then grant or deny tax amortization certificates to individual companies who applied in connection with it. It would completely change the character and nature of the investment tax credit. Unless the situation developed to be far more different from the situation today, I think it would be a mistake for Congress to do that.

Senator HARTKE. If we head into a 3- to 7-year war, that would be a considerably different approach than what we are heading into today; isn't that true?

Secretary FOWLER. I think it depends not only on the duration of the conflict, but the magnitude of the effort involved. We must keep in front of us the fact that the percentage of our gross national product which is today devoted to the entire defense operation is in the order of magnitude of 7.6 percent. Of that, the war in Vietnam, according to the budget figures, takes about \$10.5 billion in fiscal 1967. The relationship of this \$10.5 billion, the cost of the conflict, to a gross national product of over \$700 billion, is an entirely different order of economic magnitude from the situation we had during the Korean conflict.

Therefore, it is not only the question of duration, but it is a question of how limited or how extensive the demand on our economy is. This \$10.5 billion is about 20 to 25 percent of the annual accretion to our gross national product.

Senator DOUGLAS. I wonder if the Senator from Indiana and the Secretary would permit the acting chairman to make an observation and a plea. We all recognize how essential these hearings are and how important it is for the rest of the people to question administrative officials.

On the other hand, we are faced with the need for a certain amount of celerity in action and the Secretary, like the Secretary of Defense, is a heavily burdened man, and I have a good deal of sympathy for the members of the Cabinet and the pressures that they have to do their work under and at the same time meet the demands of the congressional committees.

Without trying to shut anybody off, I would like to express the hope that we can finish with the Secretary of the Treasury today, and I hope that we could meet in executive session, but if that is not possible, I hope that we could conclude the examination of the Secretary today and then go on to executive session tomorrow.

Now, I have no power to shut any member of the committee off and I do not intend to do so, but I do wish to preach the gospel of restraint as well as examination.

Senator WILLIAMS. Mr. Chairman, if the Senator will yield, I, too, would like to see this hearing expedited, but I was here 4 hours last Friday, and the minority took exactly 10 minutes on this side of the table with the Secretary. I was here at 9 o'clock this morning, and

I think we had 28 minutes discussion. I have some questions very pertinent to this bill which I do want to ask. If we can complete the hearings today, fine, but if we do not complete the hearings I think it is well enough to come back here tomorrow morning.

I realize the desire of the administration for rapid action on this bill, and I am going to cooperate with them, but I remind all concerned that we are in this situation because the administration passed an ill-advised tax cut last year at a time when in my opinion the whole country and the administration knew we were in a war, knew we had a deficit of \$8 billion.

Senator HARTKE. I recall—the chairman will notice that I was here when these hearings began, too. I had a total of 10 minutes. Quite frankly it was a very abbreviated 10 minutes. It was right on the nose. I do not mind telling you I know some of the other members of this committee were given time beyond that. I did not complain. I did not complain this morning. I am willing to yield to anybody else, but I recall that the acting chairman indicated the other day that he did not want to be cut off and made the request in front of this committee. He said, I want it thoroughly understood, as I recall, that I have a right to pursue some of my questions. I think that in all fairness the mere fact that I sit down at this end of the table should not be a reason why you should not have a chance to go into some of these matters which I think are very important like the Senator from Delaware has indicated, most of these items are one-shot operations and I think it is important that this country, if we are going to be asked to finance a war, that we get down to the business of financing it, tell the people what we have to do. We may have to tighten our belts and have more taxes. I think the American people are willing to face up to it. I think they have a right to know exactly what is going to be involved.

Senator SMATHERS. Mr. Chairman, will the gentleman yield there that I might ask a question? I wonder if it is possible for the Senator from Indiana to advise the committee and the Secretary how much longer he expects to take?

Senator HARTKE. If you will check the hearings, you will find out that the questions asked by the Senator from Indiana have been extremely short. The replies have been extremely long and I am not complaining but I just want you to know if there has been any violation of time, it certainly has not been on the part of this Senator. I am not complaining. I am glad to hear it. We had one interjection. We went all the way from the answer to the question to the question of the pay increase and other matters which I asked nothing about whatsoever. But I went back and I said what I was trying to establish is one simple fact, this question of communication between the members of the Cabinet. Now we are faced with another question of communications as to what is going to happen in the future.

Senator SMATHERS. Will the Senator yield?

Senator HARTKE. I yielded to the Senator a while ago.

Senator SMATHERS. He did not answer my question.

Senator HARTKE. I offered to yield to the Senator from Florida. I said I would wait and let him go ahead if he wanted to. He took a new line of approach which I had not intended to pursue whatsoever, but I

thought the record ought to be clarified, and I am glad that the Senator from Illinois joined in that participation. I just want you to know that this is a question of the suspension of the investment credit. I had no questions on this matter but since it was raised, I thought it should be clarified that we did have, as the Senator from Illinois so aptly described, the horse going in two directions, but I would like to find out and I think this makes it appropriate, whether or not we are dealing with a short-term, one-shot operation, whether we are going to face up to the fact that we have a serious war on our hands, and somebody is going to have to pay the bill.

Senator SMATHERS. Will the Senator yield? If I may just ask a very friendly question to help everybody?

Senator HARTKE. I will be glad to.

Senator SMATHERS. I am not fussing, Senator. I am just merely asking him does he think he will be able to conclude his line of questioning so that the Senator from Delaware might be able to finish by 1 o'clock and that the Secretary might know what plans he can make.

Senator HARTKE. If the Senator from Florida can tell me what the answers to my questions are going to be, I probably would be in better shape to give him an answer to that question.

Senator SMATHERS. In other words, you do not know.

Senator HARTKE. I do not know.

Senator SMATHERS. Go ahead, then, Vance.

Senator HARTKE. As I understand, then, now on the question of the selective—you used the word “selective”. Selective sacrifice, which is more appropriate than the term you used. This selective sacrifice approach which the President could make up his mind on which one he needed to sacrifice and which one he needed to help, the bowling alley people or people manufacturing automobiles, or whether he is going to help the people in the Defense Department. It depends on the cost of the war.

Secretary FOWLER. That is right.

Senator HARTKE. You are talking about finance. But if this occurred, that this is a solution which would probably receive very high priority in the Treasury, is that true?

Secretary FOWLER. No. I did not want to pass any judgment, Senator, on this measure as to where it would stand in the hierarchy of choices. I only tried to say that as of now I do not think replacing the investment credit with a selective tax amortization system like we had during World War II and the Korean war would be advisable.

Senator HARTKE. All right. Do you think it is going to be advisable at any time that we do anything in the field of the so-called tax credit or do you think that this should be considered, as I have read from some of your statements, as a permanent part of our tax policy?

Secretary FOWLER. I do.

Senator HARTKE. You feel that it should be a permanent part of our tax policy.

Secretary FOWLER. Yes.

Senator HARTKE. And without regard to whether or not there is an acceleration of the financial cost of the war, that it should be retained.

Secretary FOWLER. Of course, Senator Hartke, all of these matters would be open to reconsideration when and if it is necessary to come in for additional revenues.

We do not make any advance judgments about this particular provision or that particular provision. I am simply saying that, as of now, I think the investment tax credit is very desirable and should be a permanent piece of our tax machinery. I think it would be inadvisable to modify or suspend it as a part of this legislation.

Senator HARTKE. All right. Now, then, let us come on back to where I left when I yielded to the Senator from Delaware. That is the question on these excise taxes. This was some 35 minutes ago, in which I want you to know we went down this other excursion which I had no intention of pursuing whatsoever, but since it was raised, I think it needed to be pursued.

In regard to the excise taxes which were imposed last summer, and with regard to the statement by the Secretary of Defense before the Congress in August of last summer that there was going to be at least a \$1.7 billion amount plus more, will you explain why you did not come back and ask for the recision of the excise taxes of \$1.2 billion which would still have left you \$500 million short?

Secretary FOWLER. Because, Senator, I did not know before the Congress adjourned what the order of magnitude of the total budget would be or whether or not it would be necessary to ask for additional revenues, and if so, in what amounts we would need additional revenue. I knew at that time, it was so announced, that tax reduction would be out of the way as far as the war was concerned, but I did not know whether it would be necessary to ask Congress for additional revenues, or in what amount or of what nature.

Senator HARTKE. Well, now, am I to understand, then, that as far as the Treasury Department is concerned, that before the Congress adjourned last year, you were not in any way informed of the potentiality of having a budget deficit at least in excess of \$1.2 billion beyond that which had previously been estimated?

Secretary FOWLER. Well, yes, we knew that there would be, as I have said, substantial additional expenditures in fiscal year 1966 for military outlays in South Vietnam.

Senator HARTKE. We so-called gave the candy to the baby, said, "Look at it good, take one good bite, and then away we go."

Secretary FOWLER. Senator, the law had been enacted and signed in June. If you will review the record, you will find the environment existing then was quite different from the situation last fall. To come in and ask for particular kinds of tax action in the fall without knowing what the order of magnitude would be, or what action the budget would require when the calculations for fiscal 1966 were in hardened form, was just not a situation in which we felt we would have a case for coming back and asking Congress to undo at that time what it had done a few months before.

Senator HARTKE. But you did know that it was going to be in excess of \$1.2 billion, beyond what had previously been estimated for the deficit, did you not?

Secretary FOWLER. We knew it would be substantial.

Senator HARTKE. You knew it was going to be substantially more than that, did you not?

Secretary FOWLER. Yes, sir.

Senator HARTKE. And were so informed.

Secretary FOWLER. I did not know the order of magnitude.

Senator HARTKE. You knew it was going to be substantially more than that and now you come on back and say in view of the situation, you are asking us to repeal the repeal in this session of Congress rather than doing it in the last session of Congress. I am just trying to establish the facts as they were at the time.

Secretary FOWLER. We are asking you only to graduate the reduction of these two taxes in a different pattern from that which had been voted on in June. We are asking for a moratorium on the graduation of the reduction.

Senator HARTKE. Now, on excise taxes, one reason, as I understand, you stated that you moved in this field, because it was a fast way to get revenue.

Secretary FOWLER. That is right.

Senator HARTKE. No question about that. A fast way. And also that it was the easy way. Easy, fast way to get revenue.

Secretary FOWLER. That is correct.

Senator HARTKE. Now, then, in view of that, and since this has been the action, if there is an escalation, which I frankly fear there is going to be, in the cost of the war, is it contemplated by the Treasury that the next step would be to take that easy, fast way again by further increases in the sales taxes, these excise taxes?

Secretary FOWLER. No, Senator. When and if there are circumstances that would require additional tax action, we would have to look again at the order of magnitude to determine whether or not it was substantial and face up, then, to the problem of what is the fair, equitable, and most appropriate way in view of our long-term economic problems to finance the war.

Under this particular bill, we think the questions of how the cost is spread about are substantially minimized. But I think if we came back for further increases in taxes, the character of the increases would be before the Congress.

Senator HARTKE. You admit that the only increase in taxes at this stage is really the excise tax feature; is that not true?

Secretary FOWLER. Right.

Senator HARTKE. The rest of it really is nothing except collection of taxes which ultimately would become due anyway.

Secretary FOWLER. That is right.

Senator HARTKE. All we are doing is accelerating the collection of them.

Secretary FOWLER. That is correct.

Senator HARTKE. Therefore, if there is a continuation of this cost, then next year this acceleration will not be available to pay that cost.

Secretary FOWLER. That is right.

Senator HARTKE. So we are faced—how much does that represent in the tax bracket?

Secretary FOWLER. Around \$4.8 billion for fiscal 1967. That would represent an increase of \$3.6 billion over 1966.

Senator HARTKE. \$3.6 billion.

Secretary FOWLER. That is right.

Senator HARTKE. So what you are faced with, if this war continues at the present levels, without acceleration, you are faced then with the problem of raising in the next fiscal year without any change in the revenue, without any change in expenditures, assuming it is all the

same, which we know it will not be, but assuming it is, you are faced with the problem of the increasing taxes or increasing borrowing by \$3.6 billion.

Secretary FOWLER. No. As I pointed out to Senator Williams, the economy continues to grow and advance. Therefore the increased revenues at current rates or under the tax system which we will have, would produce, according to our estimates, an additional \$7.5 billion. Our estimate for the current fiscal year is that the fiscal dividend, as it is called, is about \$9 billion.

Senator HARTKE. That is estimating how far in advance?

Secretary FOWLER. Through fiscal year 1967.

Senator HARTKE. Which means that begins in June—that is about 15 months—16 months from now.

Secretary FOWLER. Next December or January we will be estimating what the outlook for the economy is for calendar year 1967, which would give us the base on which we would project the revenue expectations for the fiscal year 1968. What I am saying is that if the growth pattern continues like it has in the last few years, the growth in revenues from that source could be in the range from \$5 billion to \$8 billion or \$9 billion a year.

Senator HARTKE. Now, to another matter. As I understand, the Government position is that they plan to pool their mortgages and guaranteed loans and offer these for private participation; is that correct?

Secretary FOWLER. Not to pool all of them. Pool selected portions of them. The figure in the budget, including direct sales of \$500 million, is \$4.7 billion, compared with approximately \$3.3 billion in the current fiscal year.

Senator HARTKE. But this is another one-shot operation, is it not?

Secretary FOWLER. No. This is a continuation of a practice which has characterized the operations of the Government for many years. As I pointed out in the discussion with Senator Williams, it is an intensification of that process in that the amounts of these disposals are \$1.5 billion more this year; that is, for fiscal year 1967, than projected for fiscal 1966.

Senator HARTKE. The truth of it is you would have to raise, if you did not do that, an additional \$4.7 billion in revenue or you would have to borrow that amount of money otherwise.

Secretary FOWLER. That is right.

Senator HARTKE. So whether you say it is a one-shot operation or not, it reduces the deficit.

Secretary FOWLER. This is not a one-shot operation. That would be a continuing practice.

Senator HARTKE. It reduces the deficit amount by \$4.7 billion.

Secretary FOWLER. It always has that effect and also has the effect, as it is intensified, of substituting private credit for the direct lending programs of the Government in that sense of the word.

Senator HARTKE. What happens if you cannot market them?

Secretary FOWLER. Your deficit is that much bigger.

Senator HARTKE. Your deficit is that much bigger?

Secretary FOWLER. That is correct.

Senator HARTKE. Now, we have just gone through a nice experiment on that with the Export-Import Bank situation.

Secretary FOWLER. We have found the Export-Import Bank—they offered \$700 million of participation at a rate of 5½ percent to commercial banks, and a little more than half, \$360 million, was taken up by the banks.

Senator HARTKE. This was for 18 months, is that not correct?

Secretary FOWLER. Put-and-call feature at that point.

Senator HARTKE. Put-and-call feature at 18 months and the rate was 5½ percent?

Secretary FOWLER. Correct.

Senator HARTKE. Which is a substantially high rate for this type of obligation.

Secretary FOWLER. It was higher than it had been through—

Senator HARTKE. Higher than we had ever offered before, and yet the public response to that was less than half; is that not true?

Secretary FOWLER. That is right.

Senator HARTKE. Now, how do you account for that?

Secretary FOWLER. Money is tight.

Senator HARTKE. Money is tight, is it not; very tight and getting tighter?

Secretary FOWLER. Well, money is tight. Whether it is getting tighter or not is a judgment I will not make.

Senator HARTKE. Now, is money tight partially as a result of the action of the Federal Reserve Board in your opinion?

Secretary FOWLER. I think that the primary cause of the tightness of money is the greatly increased requirements for credit and the desire for credit on the part of many elements in the economy.

Senator HARTKE. Some places are rationing credit; is that not true?

Secretary FOWLER. As we both know, the policies of the Federal Reserve Board in handling the various facets of monetary policy have a very important and significant relationship to the tightness of money. Therefore, in a sense, you could say the total complex of policies of the Federal Reserve Board against the background of the very large demand for money result in what we call a tight money situation.

Senator HARTKE. Now, as a result of this offering only being partially sold, this was quite a disappointment to the Treasury, was it not really?

Secretary FOWLER. I would not characterize it as quite a disappointment. The Export-Import Bank went out trying to find a market for this paper. We were willing to sell under the terms that Mr. Linder announced. We were willing to sell and would have been pleased to sell \$700 million. We did not have the expectation that the total amount would necessarily be sold.

Senator HARTKE. Well, now, how much of this \$4.7 billion does the Treasury anticipate that it will not be able to sell?

Secretary FOWLER. I have no estimate of that as of now. This looks ahead for 18 months and I do not know what the situation in the market will be during that 18-month period. I would expect that we would be able to dispose of—

Senator HARTKE. I do not want to be accused—

The CHAIRMAN (now presiding). Just 1 minute. Hold on. Suspend everything for a moment. As long as I am chairman of this committee, I am going to give Senators the chance to get information

they want, but at the same time I am not going to have a witness denied the opportunity to answer a question.

Now, do not answer the question for the witness, Senator. Let him answer the question for himself. I have considerable sympathy for your position, but I just want to get both sides on the record. Let the Secretary answer the question and then ask your next question.

Go ahead, Mr. Secretary.

Senator HARTKE. Just a minute Mr. Chairman. Can I at this time say that I am going to permit the Secretary to answer the question.

The CHAIRMAN. I am going to suggest that the Secretary answer the question and then I am going to call on the Senator to ask his next question.

Senator HARTKE. Go ahead, but I want to comment.

The CHAIRMAN. All right. You can comment but let him answer the question.

Secretary FOWLER. I have nothing further to add.

The CHAIRMAN. Go ahead.

Senator HARTKE. The point I wanted to make, before the chairman arrived was that the acting chairman was attempting to terminate the right of this Senator to ask the questions he wanted to ask. At least so I interpreted it. And I pointed out at that time that the questions were not all of the problem. Part of the problem was the answers, all I was trying to do was accommodate the committee.

The CHAIRMAN. May I say to the Senator from Indiana, as far as the chairman of this committee is concerned, the Senator is going to get the information he wants. Now, I have some difficulty gaining consent of the Senate for this committee to meet while the Senate is in session. But I will come back here after the Senate gets through and, if the Secretary of the Treasury who is a hard working man is agreeable, we will come back here the moment the Senate quits and stay past midnight, until 1 o'clock in the morning if need be for the Senator to get the answers. The Secretary of the Treasury is a most patient and reasonable man. But we are not going to proceed on the basis that a Senator makes a 10-minute speech and does not give the witness a chance to respond to it. The witness is going to be given a chance to answer the question, and if he takes too long, if he is filibustering a question, I will call him to order. But I do not want to have these lengthy speeches made. Of course, under our procedure we will let any Senator make enough of a statement to make his position clear with reference to his question.

Senator HARTKE. I personally like this approach much better and that it to permit the witness to answer in whatever manner he wants to, but permit me to ask the question. I just do not want to catch both ends of this thing, be criticized on one end for asking a question and taking time, and criticized on the other because I tried to cut the answer short. I personally prefer to let the witness answer in any way he wants to, and I am glad the chairman has now revoked the previous suggestion of the acting chairman and is going to permit us to proceed along that line.

The CHAIRMAN. I am willing to take whatever time it takes to get any information the Senators want. The only objection I have is that I would just like for the Senators to be willing to come here and ask

questions and not object to the committee working extra hours if it is necessary to get the job done.

The Senator from Indiana is one of the most hard working, diligent members of our committee and Congress as a whole, and we are proud to have him.

Senator HARTKE. I will be glad to be here at 1 o'clock in the morning if that is necessary, too.

Now, back on this \$4.7 billion. As I understood, you said now, just to get us back where we were, at this time it is impossible to say whether or not the participation will meet the same fate as the \$700 million offering of the Export-Import Bank.

Secretary FOWLER. That is right. Although it would certainly be our expectation that we would be able to market the securities on suitable terms between now and June 30, 1967.

Senator HARTKE. Does the Secretary anticipate that they will have to be offered at a higher rate than the five and a half percent?

Secretary FOWLER. I have no anticipation along that line, one way or the other.

Senator HARTKE. Or at a shorter term?

Secretary FOWLER. I have no anticipation along that line either.

Senator HARTKE. But if you wanted to make them more attractive, that would be one——

Secretary FOWLER. One way to——

Senator HARTKE. One of two ways to approach that situation.

Secretary FOWLER. That is correct.

Senator HARTKE. All right. Now, that account for \$4.7 billion. Does this \$700 million—is that to be added to that or is that in the \$4.7 billion of offerings?

Secretary FOWLER. This particular Export-Import Bank?

Senator HARTKE. Yes. That was an addition?

Secretary FOWLER. That was part of the 1966 fiscal year program.

Senator HARTKE. Now, in the anticipations also in the budget figures, as I understand it, it is anticipated to receive about \$1 billion out of the stockpile sales; is that true?

Secretary FOWLER. The Senator has the figures there before him. I do not have that precisely in mind. But I think——

Senator HARTKE. Let me say——

Secretary FOWLER (continuing). Approximately.

Senator HARTKE (continuing). Approximately \$1 billion, and if that is wrong, the Secretary can correct it.

Secretary FOWLER. We will correct the record.

Senator HARTKE. Now, that is a one-shot operation, too, is it not?

Secretary FOWLER. No. We expect to continue to sell out of the stockpile as requirements indicate. There are very large quantities of excess materials in the stockpile.

Senator HARTKE. But the point about it is that the \$1 billion, whatever items you sell this year out of the stockpile, that is gone. You cannot sell them twice.

Secretary FOWLER. No. Except there are many billions of dollars worth of materials in the stockpiles.

Senator HARTKE. I am quite aware of that, and I think industry is, too.

Now, another \$1.7 billion has been secured in a one-shot operation by switching on the coinage from silver to the copper.

Secretary FOWLER. The estimate is \$1,570 million in fiscal year 1967.

Senator HARTKE. Oh.

Secretary FOWLER. \$1,570 million.

Senator HARTKE. I missed it by a little over \$125 million. \$1,570 million.

Secretary FOWLER. That is correct.

Senator HARTKE. And that is a one-shot operation.

Secretary FOWLER. That is right. There will be a sharply declining figure in fiscal year 1968. We would not expect coin production to be of the same order of magnitude as in fiscal 1967.

Senator HARTKE. In this alone you have \$4.7 in the sale of these mortgages and guaranteed loans. You have approximately \$1 billion in the stockpile, which makes \$5.7 and \$1.5, I would say, which will give you \$7.2 billion which basically comes up into one-shot operation; is this not true?

Secretary FOWLER. Senator Hartke, I think I can shorten this exchange since I have answered all these questions for Senator Williams in very much the same terms that you have offered them here. My answers to Senator Williams will suffice to answer this line of questions.

Senator HARTKE. Well, is that not true, though?

Secretary FOWLER. Yes.

Senator HARTKE. But you will, then, have to make determinations how to raise taxes next year to accommodate that \$7.2 million.

Secretary FOWLER. How to deploy the additional revenues that come out of an expanding economy and how to do that in connection with the budgeting of expenditures for fiscal 1968.

Senator HARTKE. That is all the questions I have.

Are you the acting chairman?

Senator WILLIAMS (now presiding). Yes. The committee is back in the hands of the minority.

Mr. Secretary, the chairman asked would it suit you to come back tomorrow morning at 9 o'clock?

Secretary FOWLER. I can stay here, come back after the session of the Senate, or come back tomorrow at 9.

Senator WILLIAMS. The chairman does not have consent of the Senate to meet this afternoon and asked me to recess this meeting until 9 o'clock tomorrow and make the announcement that he is going to try to have an executive session at 10:30.

Secretary FOWLER. I will be here at 9 o'clock in the morning.

Senator TALMADGE. Mr. Chairman I would like to have this statement I received from Mr. Joseph H. Leopold, whose economic and fiscal theories are well known and highly respected in Georgia, printed at this point of the record.

The CHAIRMAN. Without objection it will be done.

(The material referred to follows:)

SUMMARY STATEMENT PERTAINING TO CURRENT TAX PROPOSALS BY
JOSEPH H. LEOPOLD, ATLANTA, GA.

Purpose.—The purpose of this statement is to present new and important discoveries in the field of economic technology that are unfavorable both to the proposed legislation, and the basic theories prompting its recommendation.

SUMMARY OF CONCLUSIONS

The quantity theory of money is false

Present monetary policies are based entirely upon the quantity theory of money which holds that as the supply of active money in an economy increases or decreases, prices increase or decrease directly in some proportion thereto.

The foregoing theory is false because it fails to take into account the fact that, within the productive capacity of an economy, new money introduced usually generates production of a corresponding amount of additional wealth at current prices; sometimes at lower prices when unit costs are reduced due to increased volume of output.

In a pecuniary economy, new money is the only medium that makes possible production of more wealth at ever-increasing rates. Curtailment in the rate of supply of new money will result in a corresponding curtailment of economic growth. In effect, money is the fuel that drives the economic machine; the rate of output of an economy is limited by the amount of currently active monetary fuel being fed to it.

Basic definitions relating to monetary theory

Money is media (articles or bookkeeping entries) that are generally accepted in an economy as proof of ownership of monetary units.

The monetary unit is the official empirical unit used for measuring the exchangeable value of productive human effort; or what amounts to the same thing, the official unit used for measuring the exchangeable value of produce of human effort. In the United States, the monetary unit is the dollar established by Congress in 1792.

A monetary medium is considered legal tender when the Government declares it to be acceptable for the payment of all debts, public and private. The principal monetary media in the United States are bank deposits, currency notes, and coin. Only currency notes and coin are legal tender, although transfer of deposits (bookkeeping entries) via bank drafts are used for most financial transactions.

National taxation

Present concepts of taxation at the national level are false; they reflect an unnecessary destruction of earned purchasing power, and have the effect of voiding the beneficial natural money supply process that is inherent in the natural tax process. With the balanced budget concept of national taxation, the money supply process is delegated by the Government entirely to the commercial banking industry which creates new credit money out of thin air through loans to customers and to the Government; instead of permitting the money supply process to be equitably shared by the Government and the banking industry, as it should be. The present arrangement results in an inadequate noncredit money supply in the economy, forcing owners and workers to borrow disproportionately large amounts of credit money in order to support current rates of production.

The vital tax secret waiting to be unlocked is that remittances to the Internal Revenue Service are not the Federal tax, but that the Federal tax is the goods and services surrendered to the Federal Government and/or its employees by the civilian economy in exchange for authorized Treasury checks which, all by themselves, are the tax money because Congress requires the Federal Reserve System to have member banks convert Treasury checks into deposits and/or cash on demand of the payee, in precisely the same way that banks so convert authorized civilian checks.

Taxation at the national level is not a transfer of money from citizens to the Government, but is the process whereby the Government commandeers wealth produced by the civilian economy in exchange for official Treasury drafts which are always convertible into deposits and/or cash anywhere in the economy.

Remittances to the Internal Revenue Service simply reflect destroyed purchasing power justified only to the extent that the economy does not have the industrial capacity to produce the wealth that the citizens would attempt to purchase if they were permitted to retain the remittances for expenditures as they see fit.

It is not necessary for Treasury drafts to be matched with citizens' remittances to the Internal Revenue Service for the same reason it is not necessary for the Government to lower the rate of improvement in the citizens' living standards

below what the economy has the industrial capacity to achieve. Blind adherence to the balanced budget concept of Federal taxation simply provides a built-in limitation on the Nation's economic growth; it is the principal cause of present malignant pockets of poverty in this country and around the world.

Official statistics confirming the foregoing analysis

The irrelevance between a balanced budget and avoiding inflation is confirmed by comparing statistics for the 3-year war period 1943 through 1945 when deficits were astronomical with the postwar period of similar duration, 1949 through 1951 when "deficits" were negligible.

During 1943-45 the total deficit was \$163 billion, or almost 60 percent of total Federal expenditures of \$272 billion; while during the same period the wholesale price index increased only 2½ percent. On the other hand, during 1949-51 the total deficit was only \$1.4 billion or 1.1 percent of total expenditures of \$126 billion; but this time the wholesale price index increased over 15 percent. In other words, when remittances to the Internal Revenue Service amounted to 98.9 percent of total Federal expenditures, inflation increased six times faster than when the remittances amounted to only 40 percent of expenditures. If this performance means anything, it means that balancing the budget is very inflationary fiscal policy.

Recommendation

As a counter proposal to the tax legislation under consideration; in view of the foregoing; and in view of the fact that the principal cause of price increases is wage increases, not increase in the money supply, the writer respectfully offers the following as a solution to both the tax problem and the problem of halting inflation due to wage increases.

Congress should immediately impose a freeze on all wage increases, except for upgrade in worker classification through performance, and except for increases resulting in wage rates of less than, say, \$2 per hour. In return, Congress should annually reduce the rates of remittances to the Internal Revenue Service by an amount calculated to give everyone—individuals and corporations—an increased take-home net income of approximately 3.2 percent or whatever the guidepost analysts come up with. Any resulting deficits should be financed by selling interest-free Treasury bonds to the Federal Reserve System.

In the case of a current personal or corporate remittance rate of 50 percent, for example, the new rate (based upon a 3.2-percent guidepost) would calculate 48.4 or, say, 48.5 percent. For the subsequent year the new rate would calculate 46.85 or, say, 47 percent. In the case of a current rate of 20 percent, the new rate would calculate 17.44 or, say, 17.5 percent. For the subsequent year it would be 14.86 or, say, 15 percent.

Even though it would increase everyone's take-home pay by the desired controlled amount, this proposal would not be inflationary because it would not raise employment costs, and would actually reduce other ingredients of price, without reducing profit rates. It would also provide more funds for owners and lenders to finance creation of more new plant capacity, so as to further increase output of goods, the only nondepression way of combating inflation; and the only way of increasing the rate of improvement in average living standards.

Not only would this program leave little or no excuse for raising prices (thus making Government pressure to discourage the practice more effective) but also, in those industries where competition is brisk, or profits are regulated by the government (Federal, State, or local) prices might actually be lowered by some portion or all of the corporate remittance reduction; analogous to passing on to consumers excise tax cuts. In due course, prices would be subject to further lowering due to reduced production costs achieved through automation.

An added feature is that the proposal would prevent further increase in the Federal "public debt"; instead the debt would continue to be retired through Federal Reserve purchases of Government bonds in the open market, in order to create bank reserves, the present basis for permitting member banks to make more commercial loans. The Federal Reserve System has already retired \$40 billion of the public debt in this manner, but this fact is effectively obscured by the official semantics used by monetary authorities to describe the operation.

Still another desirable feature is that all citizens would benefit from the policy, instead of the present arrangement which favors organized workers at

the expense of the unorganized, even though, on balance, the latter support the former by purchasing the former's output.

Of course, if the Vietnam conflict becomes a major war, requiring more destruction of, rather than increase in worker purchasing power, then the guidepost analysts would come up with the percentage increase in remittances necessary to match take-home wages with the reduced physical volume of consumer goods available. The important point is that the remittances would be geared to the meaningful concept of physical volume of output, and not the irrelevant concept of a balanced budget.

Reference attachments:

Authors complete statement in support of conclusions and recommendations.

Auxiliary statement: "What is the Source of 'Deficit' Money?"

COMPLETE STATEMENT IN SUPPORT OF CONCLUSIONS AND RECOMMENDATIONS PERTAINING TO CURRENT TAX PROPOSALS BY JOSEPH H. LEOPOLD, ATLANTA, GA.

It is a pleasure to present to this committee information which, I believe, is of vital importance to the future economic welfare, not only of this Nation, but of all nations.

When one surveys the worldwide economic scene, the view is not pleasant. In many nations poverty is spreading faster than the population. In our own Nation we are frequently reminded that tens of millions of citizens are living in substandard conditions bordering on poverty.

But what makes all this worse is that there is no agreed-upon practical solution in sight; authorities are hopelessly divided over just what should be done, and the steps taken thus far hardly scratch the surface of the problem.

Some authorities say the problem is due to automation which displaces workers and causes unemployment. Yet, if it were not for the cost-reducing effect of automation, the wage increases imposed on the economy during the past 25 years would have caused prices to rise even higher than they did, thus further reducing demand and causing more worker layoffs than were actually experienced. The present tragic situation in the coal regions of this country illustrates this principle. In the absence of automation in coal mines, there would be even greater unemployment in Appalachia.

Some authorities say the trouble is caused by insufficient gold in the world. Yet a little thought will confirm to anyone that the presence or absence of gold in a nation has absolutely nothing to do with the amount of useful natural resources in that nation, or the intelligence or ability of its citizens to exploit these resources. If the presence or absence of gold stored in bank vaults does, in fact, interfere with production of wealth for which there is capacity and know-how to produce, then this, in itself, is a severe indictment of the present use of gold stored in bank vaults.

Some authorities say the problem is caused by low prices for imported wealth; that higher tariffs should be imposed to protect higher prices in this country. But higher prices result in lower living standards, and are particularly harsh on those at the lower end of the economic ladder. Upon analysis, such "protection" of higher prices is found to be merely Government-sponsored dissipation of capital and labor on uneconomical employments contrary to the interests of consumers who are thus forced to support these employments. If certain workers jobs must be subsidized to avoid welfare problems, it would seem that the matter should be handled as welfare relief, and direct payments made accordingly. Artificially raising prices to consumers is not only unfair use of Government power, it also delays abandonment of the uneconomical activity, thus denying the economy the benefits of a more efficient application of the capital and labor in question.

In this country, some authorities say that workers' monetary wages are not high enough, and that profit rates are too high. Yet since 1947 most wages in the United States have more than doubled, while the average corporate profit rates in terms of total receipts have reduced about 45 percent from 5.5 to 3.0 percent. In fact, many businesses are actually caught in a profit squeeze. It is needless to say what would happen to these businesses if wages were raised still further. The automobile worker layoffs at Studebaker and American Motors, for example, speak for themselves in this regard.

Some authorities say our economic problems stem from inflation caused by too much credit money being used in the economy because the rate of increase in credit money is greater than the rate of increase in output of real wealth. But on examination, all this relationship really means is that a larger portion of the increased output of wealth in the economy is being financed with credit money, than is being financed with noncredit money; and that credit money apparently is carrying an increasing share of the monetary load in supporting current rates of production. This would logically suggest, therefore, that the cause of the shortage of noncredit money in the economy should be investigated, rather than arbitrarily cutting off the substitute medium, credit money, which, though not as free of "fiscal drag" (interest payments) as noncredit money, is better than no money.

Some authorities say that corporate remittances to the Internal Revenue Service, excise levies, and interest rates should be raised to fight inflation. Yet these items are part of the price level. Raising these would fan inflation by raising prices paid by the public. The logic in adopting these proposals is analogous to a businessman accepting a small loss on each article sold because he expects that a profit will be realized due to the large number of such sales.

Some authorities say the problem is due to payment imbalances between exports and imports; and that these payments must be brought into balance in order to achieve economic progress. Yet the central banking systems of the world do not seem to recognize the only practical remedy for this situation; i.e., returning to natural self-balancing rates of exchange which were used for centuries prior to 1925, the year the present imbalance—inducing system of fixed unnatural rates was imposed upon commerce. The present exchange rate for the Indian rupee is a glaring illustration of the severe price distortions for traded goods that can be caused by the present system: The Indian rupee is officially subsidized by India's Central Bank on behalf of dealers in foreign exchange, at 21 U.S. cents; whereas its natural value is only 12 U.S. cents. This means that an American importer must pay \$21 for an article selling for 100 rupees in India, even though the natural value of the article is only \$12. (The natural value of 100 rupees is \$12 because an American made article, comparable to an Indian made article selling in India for 100 rupees, sells for about \$12 in the United States. This is reflected in the fact that the free (unsubsidized) rate of exchange of an Indian 100 rupee bank note in the United States is \$12, not \$21.) It is needless to say what this price distortion from \$12 to \$21 imposed on U.S. importers is doing to the export commerce of India. Yet nothing is being done to remedy the situation. Instead, the Indian Government attempts to discourage imports of wealth which she desperately needs, by high tariffs or outright prohibitions, in order to hold down imports to match the reduced volume of exports caused by the inflated prices for her goods abroad caused by the unrealistic rate of exchange supported by her Central Bank to the detriment of her international commerce.

Still other authorities say the earth is overpopulated, and that the solution to man's economic problems lies in birth control, even though only a small fraction of the earth's habitable surface and its natural resources have yet been exploited. Aside from lacking logic, this view would appear to be an insult to providence.

Where does all this lead? It leads up a blind alley described simply in two words, "economic ignorance." Social scientists are being taught incorrect application of fundamental economic theory because their tutors were similarly taught; the problem goes back several generations. The modern scholar simply has not fathomed the natural science of economics—a science that is waiting patiently to be rediscovered. It was essentially discovered 200 years ago by Adam Smith, but it has become lost again. Mr. Smith's invisible hand, for example, is invisible all right, but it is as real and as inexorable as time.

It was a suspicion that the foregoing might be the situation that prompted me to undertake several years ago a comprehensive survey of fundamental economic theory to find out if I could combine my knowledge of economic principles with analytical skill acquired through my training in, and experience with the natural laws of the engineering sciences, to pinpoint the elusive natural economic secret, or secrets, that I suspected were waiting to be discovered. For this study it was decided that only rigorous scientific techniques of analysis would be used based upon unwavering application of fundamental principles instead of the dogmatic interpretation of empirical statistics, which has been

the principal method of inquiry engaged in by most orthodox social scientists during the past several generations.

My investigation was successful beyond imagination; startling new information was uncovered concerning natural economic laws and how they have always operated to determine the rate of economic growth, or the lack of it, anywhere; and this is what my message is all about.

Because social scientists have been so thoroughly doctrinated in their present basic concepts, it may be difficult for many of them to even consider conclusions contrary to these beliefs. But, fortunately, some practitioners already have observed discrepancies between traditional dogma and actual performance; they are beginning to sense that all is not exactly what they have been taught to believe; and they are now probing into economic theory that heretofore has been considered sacrosanct. These analysts have no idea of what a Pandora's box of natural economic secrets lay behind their cautious inquiry. They, too, will be amazed at what they discover, but because they already suspect something not presently understood is there, they will be able to recognize it more quickly when it comes into view, and interpret it properly in terms of practical economic policy. Nevertheless, it will be a difficult debrainwashing operation at best (as it was for me), stubbornly resisted to the end, analogous to the many staunch believers in the concept of a flat earth right up to the time of Columbus' voyages.

ECONOMISTS' FAILURE TO CHALLENGE TRADITIONAL BELIEFS

In essence, present economic theory comprises a variety of nebulous and often conflicting views postulated from four basic beliefs that have been passed on from generation to generation, and that have been almost universally accepted without question. These beliefs are pure dogma because they are not conclusions deduced from principles, but are, themselves, assumed to be principles. Accordingly, they are rarely challenged, but are the starting point from which practically all economic analysis is undertaken, notwithstanding the fact that there are many incongruities inherent in them that become very apparent with only a relatively small amount of investigation.

ANALYSIS OF OFFICIAL ECONOMIC DOGMA

The first of the four beliefs embraced by economists, and from which all official economic concepts have been postulated, is that economics is not a science: but is applied governmental philosophy, subject to the preferences of government officials for achieving specific social goals relating to distribution of wealth.

The correct explanation of this matter follows:

Economics is a natural science

Economics is the science concerned with natural laws governing the application of human effort to the production and distribution of necessities, comforts, and luxuries. Natural economic laws, like natural laws of any kind, are inexorable and immutable. There is no way in which they can be circumvented without eventual unpleasant consequences—the degree of unpleasantness is proportional to the extent of the attempted deviation. Galileo stated essentially the same thing several centuries ago when his discoveries in the field of astronomy were rejected by contemporary intellectuals: "Nature is inexorable and immutable; she never transgresses the laws imposed upon her, or cares a whit whether her abstruse reasons and methods are understandable to men." The basic natural law of economics is the "law of supply and demand." This law determines the equitable value of all articles and services. Maximum economic growth will occur in all sectors of any economy when the value of everyone's services is determined by free operation of the law of supply and demand in a non-monopolistic environment. It is the duty of government to protect the economy against monopolism practiced by any sector. (Monopolism is collusion among any group of individuals to force the economy to pay a higher than natural price for their services. The natural price of anything is the price that automatically occurs in a free competitive market through interaction of the forces of supply and demand.)

The second belief embraced by economists is that the value of a monetary unit is determined by its gold content; hence the acquisition of a large gold supply is necessary to protect that value.

The correct explanation for this item is as follows:

The gold fallacy

Gold has nothing whatsoever to do with the value of any nation's monetary unit. Monetary units are empirical units of measure of the exchangeable value of productive human effort. The value of a monetary unit is established only by the quantity and quality of productive human effort that the citizens in the issuing nation are willing to exert in exchange for that unit. This effort can be broken down into three categories: (1) the number of minutes and how industriously civilian and government workers currently work for the monetary unit; (2) how small a percent profit on sales owners accept in payment for their economic leadership in creating jobs for workers; and (3) how small a percent rate of interest lenders accept for their services in channeling spare capital to owners and others for productive application.

In the case of the U.S. dollar, for example, the foregoing three human-effort-per-dollar ingredients are all that backs up the value of the dollar, because the dollar price of anything is equal to the sum of the dollar charges for their services of everyone having anything to do with its production and/or distribution for sale. When U.S. citizens in any category receive more dollars per unit of output of wealth for their services, the value of the U.S. dollar is reduced proportionately. Gold does not enter the picture in any way.

Gold possesses its present value only because the U.S. Government offers to surrender dollars—backed up by U.S. human effort—for gold. Contrary to popular belief, gold does not give value to dollars. Moreover, there is no logical reason for our giving an unnatural value to gold by subsidizing it at a higher-than-natural price, as we now do. And, anyway, gold is no longer used for money. There is no commercial market anywhere in which merchants honor uncoined gold as money. If the U.S. Treasury announced tomorrow that it would no longer buy gold at any price, nobody would be interested in buying our gold at \$35 per ounce, and the price of gold on the world market would promptly plunge to its natural value as determined by the huge supply of it in storage around the world, in relation to the limited demand for it for useful applications. It is doubtful that the natural price of gold is as much as \$10 per ounce.

The third belief embraced by economists is that the value of a monetary unit automatically increases or decreases inversely in some proportion to the volume of demand deposits in commercial banks plus currency notes in circulation. (This quantity theory of money is really inconsistent with the gold content theory referred to previously. Yet both propositions are embraced with more or less equal fervor by orthodox economists who have not yet noticed the inconsistency.)

The correct explanation for this item is as follows:)

The quantity theory of money is false

From the "human effort" content of the dollar previously explained, it is apparent that the value of a monetary unit (which is reflected in the price of goods) is independent of the total amount of money in the economy, for the same reason that the power content of a gallon of gasoline is independent of the number of gallons in storage back at the refineries: the two variables are simply unrelated. The only price that changes significantly with the size of the money supply is the price of money (interest rates). The smaller the money supply the higher interest rates will be, and the lesser will be the incentive for owners to engage in productive effort requiring borrowed capital. Contrary to popular belief, an excess (unused) money supply in "storage" in banks does not contribute significantly to inflation. Conversely, contraction of such money supply does not combat inflation. Inflation stems only from increases in wage, profit, interest, or tax rates, or some combination of these solo components of price. The tax rates that contribute to inflation are price subsidies, tariffs, excise taxes, and business taxes such as corporation income taxes; all of which must be included in the selling price of goods and services affected by these levies. Only personal income taxes at the lower income brackets (affecting the bulk of consumers) are effective in curtailing inflation; and then only that inflation which is attributable to increased profit rates. This is because an increase in personal income taxes does not reduce the cost of production; and hence cannot possibly combat inflation due to increased costs; it only reduces effective demand for produced wealth which puts a profit squeeze on owners, and thus curtails inflation, provided that the inflation is due to higher profit rates.

The fact that excess money supply does not contribute to inflation to any measurable extent was proven beyond question during the thirties. Throughout the

decade of the great depression commercial banks held huge excess reserves of money available for lending; there was no inflation. Indeed, throughout this period the Government was engaged in a desperate futile effort to create inflation (higher prices) to a degree because social scientists advising the Government incorrectly thought this was the way to solve the depression. (The real cause of the prolonged stagnation—low-profit rates, especially after taxes—was not recognized, but instead was actually (but unknowingly) aggravated by higher taxes imposed on businesses in order to balance the budget. During this period, taxes on business profits and on the income of the rich were increased substantially; as a consequence, a severe recession set in, in 1937-38, which continued unabated until advent of World War II.) Inflation (which is always undesirable) was later induced primarily by wartime wage increases.

The fact that contraction of the money supply does not combat inflation was clearly demonstrated after the war. Throughout the postwar period of the forties and fifties the wage-price spiral of inflation continued unabated, even though the Federal Reserve System squeezed the money supply on several occasions. All that was accomplished through these credit restrictions was increased interest rates and postwar recessions with no effect on the continuing price spiral. The wage demands of organized workers, which induced postwar inflation, were simply not influenced by the availability of credit to owners. Since 1960 the price spiral has slowed down only because the cost-reducing effect of automation has been able to keep up with the cost-increasing effect of wage increases. But wage increases now seem to be getting the upper hand again, and so a resumption of the price spiral can be expected. Squeezing the money supply again will not correct this, or even help. With present wage patterns, there is no way that additional erosion of the dollar's value can be avoided, for the same reason that there is no way that the whole of anything can be more or less than the sum of its parts.

Contrary to official belief, there is no desirable upper limit to the size of the money supply in an economy, as long as the proper amount of productive human effort (i.e., at current wage rates) is expended in exchange for every monetary unit in existence when it is spent in the economy. This applies to credit money or noncredit money; new money or old money. From this, it is also apparent that the balanced budget concept of national taxation is irrelevant, and that the need for remittances of any kind by citizens to their national Government is dependent only upon whether the economy has the capacity to produce additional wealth that would be demanded by the citizens through the spending of these remittances if they were retained.

Treasury checks, by themselves, are the real Federal tax money, and the civilian human effort engaged in producing the wealth purchased with Treasury checks is the only real tax paid by the civilian economy to support the Federal Government. Taxation at the national level does not necessarily require a surrender of money by the civilian economy to the Government; it requires only that the civilian economy surrender real wealth (the produce of civilian human effort) commandeered by authority of Congress through the various appropriation acts, in exchange for the tax money, Treasury checks. This natural tax process consists only of the civilian economy's honoring Treasury checks as money, as it now does. Incidentally, Treasury checks, all by themselves, are money because Congress requires the Federal Reserve System to have member banks convert the checks into deposits and/or cash, on demand of the payee.

It is interesting to note that all citizens in the economy are automatically taxed individually and equally (natural taxation) by a hidden increment in the prevailing price level for civilian goods and services that would not be there if the Treasury checks were not spent to purchase some of this wealth. Remittances by citizens to the Internal Revenue Service (which constitute, in effect, a second tax on top of the natural tax already paid) are logically justified only to the extent necessary to prevent excessive inflation-producing competition that would otherwise occur between the remittances (if they were retained for expenditure by the citizens who earned them) and the Government's Treasury check tax money, for the limited quantity of goods and services capable of being produced by the civilian economy when working at its current full capacity.

For example, during a major war when the efforts of many citizens are diverted from their normal employment producing wealth for personal consumption to the needs of war, it is necessary for the citizens to be divested of large portions of their gross earnings in order to prevent inflation-producing competition for

the limited quantity of civilian goods for sale to the public. However, if it were possible during a war say, through automation, for nonservicemen to produce all of the materiel needs of the war effort, plus all the wealth that would be demanded in the market by citizens if they were permitted to retain their gross wages, then remittances to the Government, even during a war, would not be necessary. But since a major war usually requires such a proportionately large diversion of manpower from the production of wealth for personal consumption to the production of war materiel, the production of sufficient wealth for personal consumption to satisfy total demand is impossible; hence remittances to the Government are always required under such a situation. The important point is that even when the remittances are necessary, they are not the tax money; a balanced budget is never the criterion for them; only the productive capacity of the economy is relevant.

Practically every State and local government in the United States needs more revenue to pay for urgently needed community services. From the foregoing explanation, and the fact that State and local governments spend only about half of what the Federal Government spends, it can be seen that the local tax problem stems entirely from false concepts about taxation at the national level. If the Federal Government did not try so hard to balance its expenditure of Treasury checks with citizens' remittances to the Internal Revenue Service, the people could afford to provide their State and local governments with adequate revenue. Stubborn belief in the need for a Federal balanced budget is the hidden culprit.

Normally, the productive output of an economy is an ever-increasing variable whose rate is determined only by the rate at which money, "backed up" by the proper amount of productive human effort, is spent in the economy. Curtail the active money supply, (i.e., money being spent) and the production of wealth will be curtailed, with corresponding reduction in average living standards. But prices will not fall significantly unless wages are reduced, because wages are by far the principal ingredient in the price of anything. The postwar experience in the United States, previously referred to, illustrates this principle.

Except during a major war when substantial amounts of manpower are diverted from productive effort, and there are restrictions against "nonessential" production, there is no such thing as reaching the upper limit of an economy's productive capacity because, as the current apparent limit is approached, the productive capacity is automatically increased due to the population growth and new technology; this process continues ad infinitum, with average living standards rising in proportion to the rate at which the Nation's real output increases faster than the population.

It is absurd to say that the economy is "overheating," and hence should be slowed down because it is producing wealth at a higher rate than formerly. Increased rate of production of wealth, aside from being the only way to raise living standards, is the most potent weapon for combating "inflation." As previously noted, the latter evil occurs only when the cost-reducing effect of automation—man's priceless economic blessing—is offset by the cost-increasing effect of worker's wage increases.

Similarly, it is false reasoning to conclude, as economists are now doing, that full employment carries with it the threat of "ballooning wages" and "rampant inflation." Actually, the greatest impetus to technological advancement, permitting larger output of wealth at lower unit costs, is provided by scarcity of labor and/or higher labor costs. (But, to avoid unemployment, the higher labor costs must arise only out of a natural scarcity of labor; not out of monopolistically imposed wage increases.)

During the forties and fifties, increased output per worker man-hour (due to automation) somewhat softened the inflationary impact of monopolistically imposed wage increases. Without automation, these wage increases would have caused prices to rise so much higher than they did, that demand would have been curtailed sufficiently to induce much more unemployment than was actually experienced. It is incorrect to equate automation with unemployment: in a "natural economic environment" automation increases employment; in a monopolistic environment automation reduces the amount of unemployment caused by wage increases. Automation can never be harmful, for the same reason that goodness can never be evil.

Price increases due to scarcity (resulting in higher profit rates) are healthy and have their own built-in correction: they attract additional effort to the

production of the scarce items; thus soon eliminating the shortage, often causing prices to be lower than they were before the price rise. Scarcities in a booming economy (except wartime scarcities) are signs of economic health; surpluses are signs of economic sickness.

Instead of fretting about the possibility of "full employment" and "scarcities" due to heavy demand—characteristics of a healthy "natural economic environment"—economists should be encouraging adoption of Government policies calculated to hasten achievement of these concomitant indexes of economic virility. As noted, the ingenuity of management, the real economic leaders—spurred by competition—is quite capable of overcoming "scarcities" through automation, through additional plant and equipment, and through utilization of the constantly increasing civilian work force. (Release to the civilian economy of more workers through elimination of unnecessary Government jobs would help also; as would be encouragement of healthy citizens to postpone retirement, by permitting them to continue working as much as they desire, while drawing full social security benefits.)

The alarm being expressed by economists over the current high rate of construction of new plant and equipment is completely unjustified. It would be a tragedy if public officials adopted the same view and interfered with this vital productive effort which is a mandatory prerequisite if more wealth and higher living standards for all citizens—the primary goal of any economy—are to be achieved. Current recommendations for increasing remittances to the Internal Revenue Service in order to discourage plant expansions, if followed, would be a major blunder. Such action would not only accomplish the opposite of its intended purpose with regard to curbing inflation (prices would rise as owners attempt to pass on the increased remittances to consumers), but it would also aggravate the Nation's poverty problem by discouraging the creation of new jobs, the only solution to this problem. The last time such increases were imposed in a nonwar situation (1937-38) a severe recession set in soon thereafter.

Although the economic demands of the present Vietnam conflict are not insignificant, neither are they yet sufficient to justify curtailment of production of wealth for private consumption. When production of wealth for private consumption is curtailed prematurely through increased remittances to the Government and/or curtailing growth of the active money supply, unemployment soon follows. On the other hand, if workers are absorbed in the Armed Forces in sufficient numbers, then private production must be cut back in favor of Government orders. Under these circumstances increased remittances to the Internal Revenue Service are justified to prevent inflation-producing competition for the reduced output available for civilian consumption.

By way of summary, then, the vital tax secret waiting to be unlocked is that remittances to the Internal Revenue Service are not the "Federal tax," but that the "Federal tax" is the goods and services surrendered to the Federal Government and/or its employees by the civilian economy in exchange for authorized Treasury checks which, all by themselves, are the "tax money" because Congress requires the Federal Reserve System to have member banks convert Treasury checks into deposits and/or cash on demand of the payee, in precisely the same way that banks so convert authorized civilian checks.

Taxation at the national level is not a transfer of money from citizens to the Government, but is the process whereby the Government commandeers wealth produced by the civilian economy in exchange for official Treasury drafts which are always convertible into deposits and/or cash anywhere in the economy.

Remittances to the Internal Revenue Service simply reflect destroyed purchasing power justified only to the extent that the economy does not have the industrial capacity to produce the wealth that the citizens would attempt to purchase if they were permitted to retain the remittances for expenditure as they see fit.

It is not necessary for Treasury drafts to be matched with citizens' remittances to the Internal Revenue Service for the same reason it is not necessary for the Government to lower the rate of improvement in the citizens' living standards below what the economy has the industrial capacity to achieve. Blind adherence to the "balanced budget" concept of Federal taxation simply provides a built-in limitation on the Nation's economic growth; it is the principal cause of present malignant pockets of poverty in this country and around the world.

The fourth and final basic belief embraced by economists is that monopolistic power over wages must be granted to workers in a capitalistic economy in order to assure maximum improved living standards for workers.

This item gets deeply into the field of labor-management relations and, although I would be happy to discuss it as I have the others, I suspect the committee would rather concentrate on topics having to do with finance. Suffice it to say, however, my analysis demonstrates this belief to be false also.

Although this concludes my general remarks, I feel that no analysis of a problem is complete without a specific recommendation of how the proposed solution might be implemented in a practical way. I would, therefore, respectfully like to offer such recommendation at this time, which is a counterproposal to the "tax" statute under consideration, as well as to the present "guidepost" concept of granting annual increased gross wages to workers, much of which, because of the inequitable way the "guides" are calculated, must be paid for out of profit rates and/or inflated prices.

Congress should immediately impose a freeze on all wage increases, except for upgrade in worker classification through performance, and except for increases resulting in wage rates of less than, say, \$2 per hour. In return, Congress should annually reduce the rates of remittances to the Internal Revenue Service by an amount calculated to give everyone—individuals and corporations—an increased take-home net income of approximately 3.2 percent or whatever the "guidepost" analysts come up with. Any resulting "deficits" should be financed by "selling" interest-free Treasury bonds to the Federal Reserve System.

In the case of a current personal or corporate remittance rate of 50 percent, for example, the new rate (based upon a 3.2 percent "guidepost") would calculate 48.4 percent or, say, 48.5 percent. For the subsequent year the new rate would calculate 46.85 percent or, say, 47 percent. In the case of a current rate of 20 percent, the new rate would calculate 17.44 percent or, say, 17.5 percent. For the subsequent year it would be 14.86 percent or, say, 15 percent.

Even though it would increase everyone's take-home pay by the desired controlled amount, this proposal would not be inflationary because it would not raise employment costs, and would actually reduce other ingredients of price, without reducing profit rates. It would also provide more funds for owners and lenders to finance creation of more new plant capacity, so as to further increase output of goods, the only nondepression way of combating inflation; and the only way of increasing the rate of improvement in average living standards.

Not only would this program leave little or no excuse for raising prices (thus making Government pressure to discourage the practice more effective) but also, in those industries where competition is brisk, or profits are regulated by the Government (Federal, State, or local) prices might actually be lowered by some portion or all of the corporate remittance reduction; analogous to passing on to consumers excise tax cuts. In due course, prices would be subject to further lowering due to reduce production costs achieved through automation.

An added feature is that the proposal would prevent further increase in the Federal "public debt"; instead the "debt" would continue to be retired through Federal Reserve purchases of Government bonds in the "open market," in order to create bank reserves, the present basis for permitting member banks to make more commercial loans. The Federal Reserve System has already retired \$40 billion of the "public debt" in this manner, but this fact is effectively obscured by the official semantics used by monetary authorities to describe the operation.

Still another desirable feature is that all citizens would benefit from the policy, instead of the present arrangement which favors organized workers at the expense of the unorganized, even though, on balance, the latter support the former by purchasing the former's output.

Of course, if the Vietnam conflict becomes a major war, requiring more destruction of, rather than increase in worker purchasing power, then the "guidepost" analysts would come up with the percentage increase in remittance necessary to match take-home wages with the reduced physical volume of consumer goods available. The important point is that the remittance would be geared to the meaningful concept of physical volume of output, and not the irrelevant concept of a "balanced budget."

WHAT IS THE SOURCE OF "DEFICIT" MONEY?

(By Joseph H. Leopold)

A statement often repeated by economists and public officials in support of a Federal "balanced budget," is the following:

"When the Government decides to spend more money than it receives from the citizens, that extra money is 'created out of thin air,' through the banks, and

when spent, takes on value only by reducing the value of all money in the economy."

The above statement is false, as the following analysis demonstrates:

Through the mechanism of "loans and discounts" commercial banks are continually creating new money "out of thin air" to finance current production and distribution of wealth. (Last year they created about \$30 billion.) This new money is always accepted in the economy on a par with all other money; it is "inflationary" only if it competes with other money actively seeking a fixed amount of wealth previously produced. (In such case, the price rise would be due to the relative scarcity of goods, reflecting extra profit to the seller.)

But, if, instead of competing with other active money for a fixed amount of wealth previously produced, the new money generates production of a corresponding amount of additional wealth, then it is not "inflationary," but becomes monetary fuel performing a necessary function—indeed, a function that is mandatory if the additional wealth is to be created at all; since without expenditure of the new money, the new wealth obviously would not be produced. New money, therefore, is the medium that makes possible production of more wealth in an economy at ever-increasing rates. Curtailment in the rate of supply of new money must result in a corresponding curtailment of economic growth. This is why all recessions and depressions of the past have followed shortly after curtailment of the money supply.

In effect, economists have adopted the belief that new money created by banks for commercial loans is not inflationary; but if the same money is created for Government loans, it is inflationary. A corollary which follows from this proposition is that Government-spent money does not generate production of new wealth—only civilian-spent money accomplishes this. But this makes no sense since everyone knows that a Government-spent dollar commands the same wealth anywhere in the economy that a civilian dollar does. As every Member of Congress has learned, owners certainly do not frown on, or shy from producing wealth in exchange for Government-spent dollars. Therefore, within the productive capacity of the economy, including its capability of expanding capacity, newly created Government-spent dollars are no more or less "inflationary" than newly created civilian-spent dollars.

From the foregoing, it also follows that the Government can create its own "deficit" money, and need not have it created by commercial banks as it now does. As a matter of fact, all new bank-created money is honored in the economy only because Congress, in effect, has instructed the Federal Reserve System to convert the bank-created money into legal tender on demand of citizens. Since Congress also requires the Federal Reserve System to convert all authorized Treasury checks into legal tender on demand of citizens, Treasury checks, all by themselves, are perfectly sound money.

The belief, implemented by present official monetary policy, that it is necessary for commercial banks to first create "deficit" money "out of thin air" and then lend it to the Government before it can be spent by the Government, is false for the same reason that a father should not be prevented by his child from performing certain work just because father taught child how to perform similar work.

President Lincoln, when confronted with the choice of issuing Government bonds to banks to obtain "deficit" money, or issuing new money directly to the economy, decided as follows:

"If the Government can issue a dollar bond, it can issue a dollar note; the element that makes the bond good, makes the dollar equally good. It is absurd to say that the Government can issue a bond but not a dollar."

Another way of stating this principle is as follows:

"If commercial banks can create money 'out of thin air' and lend it to the Government at interest, the Government can create the same money 'out of thin air' and save the taxpayers the interest."

From the foregoing, it is apparent that at least the portion of the "deficit" created by commercial banks and loaned to the Government is unnecessary; the interest paid on these funds, amounting to billions of dollars annually, reflects a parasitical drain on the productive sector of the economy.

(Whereupon, at 12:25 p.m., the committee recessed to reconvene at 9 a.m., on Tuesday, Mar. 1, 1966.)

TAX ADJUSTMENT ACT OF 1966

TUESDAY, MARCH 1, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 9 a.m., in room 2221, New Senate Office Building, Senator John J. Williams (chairman) presiding.

Present: Senators Long, Smathers, Anderson, Douglas, McCarthy, Hartke, Ribicoff, Metcalf, Williams, Carlson, Curtis, and Morton.

Senator WILLIAMS. The chairman has asked that we go ahead and start these hearings if it is all right.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. Mr. Secretary, last October I introduced a couple of bills dealing with the question of political advertising and whether or not they should be deductible for business expenses. One bill suggested that they be deductible and the other that they should not be deductible.

Now, the reason that I did that, as I explained, was to have the two extremes as an approach to the problem and to force an answer. I asked if you had any recommendations. Are you ready to comment on these bills as to the recommendations of the Treasury Department?

Which bill and what formula for treating these political contributions disguised as advertising do you recommend?

STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY, ACCOMPANIED BY STANLEY S. SURREY, ASSISTANT SECRETARY FOR TAX POLICY—Resumed

Secretary FOWLER. Senator, we have been studying the bills that you have referred to relating to the tax treatment of advertising in political convention programs and similar publications, and also the related topic of the purchase of tickets to political dinners or events. I understand, as you have stated, that one of your proposals would make the expenditure deductible, while your other proposal would make such expenditures nondeductible.

These difficulties and uncertainties present the Internal Revenue Service with a very real problem in trying to apply to this area the present provisions of internal revenue laws dealing with deductions generally.

I think it would be of great benefit to the Internal Revenue Service and the Treasury Department from an administrative standpoint to have this matter clarified as fully as possible.

As respects a choice between your two different approaches and looking at the matter from strictly a standpoint of tax policy, I believe it would be more in keeping with the general nature of these expenditures to make them nondeductible. That result would more closely align the situation with the general approach of the tax law that payments or contributions for political purposes are not to be treated as deductible by the payor. That would be our position on these measures. I, of course, would like to add as a tangential matter that I am hopeful that the present bill can go through without getting over into many other areas, but I know that is a matter for the committee to determine, and I will only express my wish and hope that the consideration of this problem won't impede the progress with the bill.

Senator WILLIAMS. I thank you for that statement.

As I said yesterday, I am expecting to support this bill so I am not trying to delay it. I do think this is a field in which we should act now. As I told you privately, I agree completely that these should be nondeductible. I always understood heretofore that they were not deductible. With the endorsement which we are now getting from the Department this proposal will be offered as an amendment to this bill. I am hoping it will be adopted.

This is an area that needs clarification.

I introduced one other proposal in this connection that would deal with the method of treating small political contributions. I proposed that we make the smaller political contributions, \$10 to \$25, subject to 70 percent tax credit. The next \$75 would be treated as a deduction. I am wondering if the Treasury Department has had time to study that proposal and reach any conclusions?

Secretary FOWLER. Yes; we are engaged in the study of that subject matter, Senator. With respect to your bill proposing a tax credit or tax deduction for political contributions in smaller amounts, we are studying it in view of the President's statement in his state of the Union message to the effect that ways should be found to provide incentives for political contributions so as to make political giving and financial support of political parties more widespread. There are various possibilities which are being looked at. Some of them are in the nature of a review since an intensive study of this subject was made several years back. They are being reviewed now from the standpoint of their effectiveness, their costs, their administrative feasibility and other relevant policy considerations.

This is a study which is very actively going on, Senator Williams, at this time, and until it is completed and the President submits a detailed proposal dealing with this problem, among others, I would hope that I could be excused without making any particular comment on the approach you suggested, which is certainly one of those which is being studied. That is about all I want to say this morning.

Senator WILLIAMS. With that semiendorsement, I won't press you further, Mr. Secretary, because based on my conferences I have had with the Department on this same subject I know that it is being studied with the thought of coming up with recommendations. Therefore, I will, in line with your suggestion, be inclined to wait until you get the report, but I do feel, as you have stated and as the President stated in his message, this is an area with which we should deal. We

will have other tax legislation before us at a later date, and I am hoping by that time we can reach a formula. I think it is generally believed that this field needs attention, and if we can hold it up until we can reach an area of agreement it would promptly pass.

Secretary FOWLER. I think that is correct, Senator. We will certainly work with you to that end.

Senator WILLIAMS. I appreciate that, and I shall be glad to work with you.

Now, I had a third bill. In the 1964 act we provided for the information returns to be sent to the taxpayers who were receiving interest and dividends, and of course the wages were already taken care of before by the W-2 forms.

In enacting that legislation and in extending the requirement for the sending of the W-2's it was called to my attention that we excused the Government itself from complying with the same rules. I specifically refer to the Department of Agriculture and the payments that they make on acreage reserve, soil bank, and various other programs to the farmers, all of which under the law are 100-percent taxable, just the same as dividends and interest. Yet the Department is not sending out these W-2 forms that we require of industry. I introduced the other day a bill which would bring the Department under the same rules and regulations of reporting not only to the recipient of these checks but also to the Treasury Department. This is not a revenue-producing measure as we both realize.

Secretary FOWLER. Yes.

Senator WILLIAMS. And I would like to have your comments upon that proposal.

Secretary FOWLER. Senator, we certainly favor this proposal in principle. We realize that it involves another Department, and I understand that members of the Treasury staff are in touch with the Department of Agriculture to determine the administrative problems that might be involved. But I think we are very affirmatively in support of the principle and would hope to work something out along the lines you have indicated.

Senator WILLIAMS. Well, I appreciate that, and that amendment will also be offered.

In talking with the Department the only objection that I have had is in the amount of bookwork involved, but we got that same complaint from industry and nobody seemed to be concerned, so certainly the Government should live by its own rules. If it is rather burdensome maybe they would be more sympathetic sometimes when they get complaint from industry.

Secretary FOWLER. It certainly would be helpful to us in administering our part of the job.

Senator WILLIAMS. We are making such excellent progress in getting your cooperation, I have another proposal that I think that we can dispose of equally fast, and that is a suggestion that I made that we reduce the oil depletion rate. I propose that we reduce it to 25 percent the first year, 22½ percent the second year, and 20 percent the third year, and remain at that rate thereafter.

I have an old estimate as to revenue that would be produced, this estimate was made a couple of years ago, but it would be somewhat similar now.

Reducing to 25 percent I understand would bring \$75 million, 22½ percent would increase it another \$75 or make it \$150 million, and when it got into full effect it would be \$250 million. I am wondering if we can get a simple endorsement on that, too.

Secretary FOWLER. That gives me more of a problem, Senator Williams, in view of the fact that the present bill is somewhat limited in scope and does not address itself to many of the problem areas related to the structural reform of the tax system.

As I said at the outset while commenting on some of your earlier measures, my main concern is that we not get into areas which would impede progress in the prompt and quick enactment of this bill, which I know is your interest also.

The proposal before the committee is designed to raise what we believe is necessary revenue quickly. It is purposely designed to do that in a way that could avoid controversy or certainly minimize any controversy and do so in a way that doesn't increase income tax liability for either individuals or corporations.

We know from past experience that any time you change tax liabilities, no matter how worthy or how clear the reasons, those that have their liabilities increased are inclined to be rather strongly opposed to any such change.

We also know from our experience on various proposals that have been proposed to the Congress in the last 3 or 4 years, that changes in the structure of depletion rates raises controversial issues which I believe would be likely to cause substantial delay in the enactment of this program. For that reason, I would have to say at this time I would not feel it wise to include any such amendment in the bill.

Senator WILLIAMS. Do I detect a ray of hope that the administration has endorsed this with the one qualification that this is not the exact time but if I can find an appropriate time to put this on a bill where it would not cause delay we would have your endorsement?

Secretary FOWLER. I didn't mean to imply one way or the other. I think that I had better stand on the proposition that the President stated in his economic report that we must review special tax preferences, that is an exact quotation. As a part of any such review, this is certainly an area that could be examined.

Senator WILLIAMS. Is it being examined as a part of your next proposals?

Secretary FOWLER. Not currently. We are pretty well occupied with this current tax program, and we are not, at the moment, engaged in an examination of the subject. However, I know that it is being looked into, and has been looked into in other Departments that have related concerns to the topic.

Senator WILLIAMS. I realize it has been looked into because for the past 15 years we have had——

Secretary FOWLER. We have had the experience along that line, too.

Senator WILLIAMS. I was hoping that while we were in such a mood of endorsement here, we could have continued right on through.

Secretary FOWLER. Senator, I think that probably my endorsement would not be very meaningful one way or another on this subject.

Senator WILLIAMS. You would be surprised.

Secretary FOWLER. There are others who would——

Senator WILLIAMS. You would be surprised.

Secretary FOWLER. We weren't too successful a few years ago in dealing with this problem when my predecessor tilted his lance at one small flange of it, and I don't think I have any more influence in that direction than he had.

Senator WILLIAMS. Well, we will try to save you in spite of yourself on that one. [Laughter.]

I noticed in the papers the other day—and this was not a quotation from you—that consideration was being given to a tax in reverse is the way it was described, that somebody who has an income below \$3,000, which was the level set by the President, would get a tax refund in proportion to the amount of his income that was below this stated level.

Is the Treasury Department really giving any consideration to any such proposal?

Secretary FOWLER. Well, I certainly haven't, Senator Williams. I know it has been a matter of some comment and study in academic circles. I also think the Commission on Automation has dealt with it, but I certainly have not given it any serious consideration at this time. My preoccupation, certainly for as long as the Vietnamese situation confronts us, will have to do with questions of additions to revenue rather than in reductions.

Senator WILLIAMS. Would you care to give us an opinion on such a wild proposal?

Secretary FOWLER. No, sir, I would not. I haven't studied it. I haven't given it any serious consideration at all.

Senator WILLIAMS. This bill before us extends the tax 1 percent on autos and increases it by 1 percent, and it increases the tax on telephones by 7 percent.

Is there any particular reason why these two items were selected?

Secretary FOWLER. Yes, sir.

There were two or three reasons. Number one, it seemed to be an established policy of the Congress, incorporated in the excise tax act revenue producers is the reason they were singled out for gradual re-pattern. We thought that by asking for a further stretching out of the process of gradual reduction the Congress has already adopted we were more in line with established congressional policy in this area.

Number two. The fact that these two taxes are very substantial revenue producers is the reason they were singled out for gradual reduction. If we were going to try to raise an equivalent amount of revenue by selecting a composite of other excises we would have to impose taxation on a very large number of items.

As you know, the tax had been completely removed from many items last July 1 and January 1. The administrative machinery and the burden on the seller, the manufacturer or retailer, has been completely eliminated. To achieve a similar amount of revenue would have meant not only restoring taxes, but also restoring the whole administrative machinery.

Senator WILLIAMS. Well, of course, this bill is not only a stretchout, it is a reimposition of taxes.

We are reimposing a 7-percent tax on telephones, and we are reinstating a 1-percent tax on automobiles. Those taxes have been repealed, and so we are putting taxes back on.

Secretary FOWLER. Well, the rate of tax has been repealed, but the administrative machinery, already exist. A tax at a lower rate is still presently being collected.

Senator WILLIAMS. That was the reason I was suggesting that we move over into the field of the oil depletion because the machinery is all there. All we would have to do is just make a very simple change in the formula. You are going to endorse this yet. [Laughter.]

I get mail asking this question, and it is a little hard to answer—with these taxes on telephones and automobiles having gone off January 1, why put the 7-percent tax back on a telephone and a new tax on a car at 1 percent, and at the same time not do anything with the 10-percent tax on cabarets and the 20-percent tax on racetrack admissions both of which also went off January 1.

Actually the cabaret tax went off December 31 to make sure they could enjoy New Year's without a tax. Tax on country club dues of 20 percent were repealed January 1, chewing tobacco tax was reduced 10 percent January 1. There are \$150 million in those four items. I get asked the question, just how under the Great Society these can be counted as necessities while the telephone on the farm must be counted as a luxury. They want to know when you are going to put these back. Why did you pick out these four items and say they were the necessities of life?

Maybe you can give me a suggestion how we can explain that action to the people.

Secretary FOWLER. By selecting these two taxes, and confining the problem just to these two where the administrative machinery for the imposition and collection of taxes continue to be intact, we avoided the reinstitution on a selective basis of a large number of highly controversial taxes which wouldn't have produced enough revenue. I do not believe it would be worth the delay and the difficulties that would have been entailed in selecting from all of the myriad excise taxes those on which for one basis of logic or another, it might be said that they should be imposed.

Out of all of the excise taxes that were going to be repealed, Congress last June decided in its wisdom that these two big revenue producers were going to have to be repealed or reduced in a graduated way. We are simply following the policy of a graduated removal of these two taxes. There is no contemplation in the President's message, or in any statement that I have made to the Ways and Means Committee or this committee, that this is a permanent turnaround. It is simply a postponement of the removal of these two graduated taxes along the lines that Congress had proposed.

Senator WILLIAMS. I realize that the bill before us is referred to as an adjustment act rather than as a tax increase, but you still can't get away from the fact that you are putting a 7-percent tax back on one industry and a 1-percent tax on another.

What concerns me is the justification of this tax on these two industries. It would seem to me our tax system should be set up on the basis of equity, and not by singling out one industry as an easy way to get money or by taxing one or two industries because they are big. It seems to me there should be some equity.

Secretary FOWLER. I would agree, Senator, but I think the administrative matter is an element that is also worthy of some consideration.

Senator WILLIAMS. I do, too, and again you are getting closer to my oil depletion amendment because that is so simple administratively to change it to pick up \$250 million.

Secretary FOWLER. Again, I come back to the point that there is some premium on speed in the enactment of this particular bill.

Senator WILLIAMS. You would be surprised at the speed we could get if you would just endorse that oil depletion.

Secretary FOWLER. I have no such confidence in that result.

Senator METCALF. I wonder if the Senator would yield? I would suggest in spite of the fact, if the administration would come up with some suggestions in changes in depletion not only in oil but in minerals and other things, that many of us would very seriously consider those before approving them. If there is an emergency on this bill, an amendment certainly should not be put on as far as this whole business of depletion is concerned.

Senator WILLIAMS. I think the Senator is right and, as I stated earlier, I certainly have no intentions of trying to cause undue delay in this bill. I realize the interest in the Treasury of getting it enacted, but I am not too overly concerned over a few days in order to do the job right. As I have stated earlier, I think the administration made a terrible mistake when it recommended that Congress reduce these taxes last year. I so stated at the time and voted against it. There was a war going on when the administration signed the bill. They knew there was a war going on, or at least they should have known it—they were sending 200,000 men over there. They knew it was going to cost money.

Before Congress adjourned you also knew that the war was escalating, and it would have been very simple to have postponed this reduction. Then you would not have had to go through all of this tedious process of reinstating the taxes. I am not going to be stampeded into just a few days in order to get a good deal.

Secretary FOWLER. I certainly did not intend to imply that, Senator.

Senator WILLIAMS. I don't think you did.

Secretary FOWLER. For the record, I should say this. After the Excise Tax Act of 1965 was enacted, and after the time I appeared before this committee to support its enactment on June 8 and 9, a very substantial change in national policy occurred following a most careful and thoughtful study and the most intensive consultation, both inside Government and outside Government, on what our military situation was and responsibilities were. This occurred after the enactment of the Excise Tax Act. As you recall, these decisions were announced to the public on July 28. At the time I appeared before this committee, I certainly did not contemplate the problem of financing the effort in Vietnam on an escalated scale. I would also like to cite some exchanges on pages 30 and 34 of the hearings before this committee wherein the administration stated its concern about the action of the House in removing the automobile tax. The administration asked for only a 5-percent graduated reduction. The House had enacted a 10-percent graduated removal. The reasons we gave for holding off that action had to do with the fact that it might be desirable to reserve that additional 5 percent for action at a time when we were moving into a deflationary period.

I think that an examination of page 34 of the record of testimony before this committee will indicate that the timing of the excise tax reduction on automobiles was in all of our minds at that time.

Senator WILLIAMS. Mr. Secretary, I realize that that was your testimony, and I don't question for a moment that that was the information you may have received as far as the administration was concerned.

But I know for a fact as a member of one of the committees that last June the Armed Services Committee and the Foreign Relations Committee were both being alerted to the fact there was a stepup in the war. We were alerted to that fact in June, prior to the enactment of this bill. It is true that the President did not make a statement to the American public until some time in the latter part of July, but the administration knew before that. They were alerting the Congress. They knew they were escalating the war, and there was no reason why such information had not been transmitted to the Treasury Department and they should have taken action to stop the reductions.

There is no doubt in my mind that the administration was well aware of the danger with which we were confronted, and if it was not then someone was asleep at the post, and I shudder to think that anybody was sleeping to that extent down there.

Does the Senator from Kentucky want to ask any questions?

Senator MORTON. If you will yield for just one point, Mr. Secretary, I have some appointments in my office, and that is in connection with this floor stock tax on automobiles. I am sorry I was not here when you gave your statement.

Secretary FOWLER. I don't think this topic has come up, Senator Morton, in the hearings up to now.

Senator MORTON. The last paragraph on page 9 of your testimony mentioned this. It is the method of collecting the floor stock tax. One of the major automobile companies had been in contact with me, expressing some apprehension about this, and I hoped that they would have a brief which I could have studied before coming here, but as of this morning it hadn't arrived at my office.

I don't know just what their concern is, but there seems to me a difficulty in collecting it from the retailer.

Secretary FOWLER. Yes, I think I can help a little bit on that. This matter of the method of collection of the tax came up for very intensive examination in the executive sessions of the House Ways and Means Committee. We had initially proposed that the floor stock tax be collected directly from the dealer and paid to the Treasury. There were those who were concerned that the dealer would not know the precise amount of the manufacturer's excise tax so that he wouldn't be cognizant of the precise amount that he could pass on, as it were, to the customer or reflect in the operations of his business. It was thought, therefore, that the most equitable way of collecting the tax from the standpoint of the dealer and thus enable him to cope with the problem would be as this bill proposes. Although the tax be paid by the dealer, it is to be collected by the manufacturer from him and then paid over to the Treasury by the manufacturer.

This wasn't a casual consideration. It was the result of a discussion that went on for the better part of a morning. The committee came out with the formula incorporated in the act.

So far as the Department is concerned, I think it was *comme ci, comme ça*.

Senator MORTON. In other words, as I get it, after the action taken by the Ways and Means Committee and upheld by the House, the manufacturer will pay the Treasury the tax and collect it from the dealer.

Secretary FOWLER. That is right—and in the process inform the dealer of the precise amount of the tax, so that he can deal with his customers knowing the exact amount of the tax.

Senator MORTON. Your original proposal to the Congress did envisage a floor stock tax?

Secretary FOWLER. That is right.

Senator MORTON. And the difference in what the Ways and Means have come up with and what you originally proposed are the mechanics of collection?

Secretary FOWLER. Just the mechanics of collection.

Senator MORTON. How much—do you have any estimate at all of what this floor stock tax amounts to?

Secretary FOWLER. It is about \$25 million.

Senator MORTON. Competition in the marketplace in these automobiles, I guess we have to collect the floor stock tax, but it is a headache to go through one of these things however you collect it, I can guarantee you that.

I may before we finish our markup of the bill, I now have a copy of this memorandum which I have to study, and I may call on—

Secretary FOWLER. Mr. Surrey is very familiar with this.

Senator MORTON (continuing). Mr. Surrey or someone to go over it with me.

Thank you.

Senator WILLIAMS. I appreciate the Senator's raising that point, and I had it on the agenda.

One further question that is raised concerns the bill. We propose the bill to be effective on March 15 in general, but there is language here that says the floor stocks tax will be imposed the day after enactment. If the President signs the bill the 10th or the 12th you will have all of this uncertainty as to just when the tax is to go on. I raised this question with them before the meeting started hoping that we could work out some kind of an understanding as to an effective date. That may be a matter which we could better deal with when we get into executive session.

Secretary FOWLER. In executive session.

Senator WILLIAMS. The Treasury is aware of this problem. I do feel that the bill as it is drafted does need some modification or some clarification.

Secretary FOWLER. Mr. Surrey is aware of this, and will be glad to discuss it with you, sir.

Senator WILLIAMS. I have another question to raise in connection with the bill. It is from a party who claims that under the bill certain exemptions are made from the excise taxes for nonprofit organizations, but others are not exempted. I quote the letter:

We are neither for nor against the bill as such, but do believe that if exemptions are to be made for certain groups not to pay this excise tax the exemptions should be extended to all agencies which are exempt under section 170(b)(1)(a), of the Internal Revenue Code. That either it should apply to all or none.

What would be your reaction to that point?

Secretary FOWLER. At this time we would be opposed to extending the exemption any further, Senator Williams.

Again, this is not appropriate legislation for expanding or extending exemptions.

Senator WILLIAMS. The bill does depart from the existing practice in that it does extend exemptions, as I understand it, to some new areas; is that correct?

Secretary FOWLER. Nonprofit hospitals. This is something the House committee wished to do. The administration didn't sponsor it.

Senator WILLIAMS. I am not objecting to what you did, but it just raises this point.

Secretary FOWLER. I would hope the process could be arrested where it is in the bill and that we do not get into the question of all the other types of exempt organizations that might be considered.

Senator WILLIAMS. One other problem that we have had brought to our attention. I have before me a letter transmitted by Senator Hickenlooper, I won't mention the company by name for reasons you will understand, but they claim they bought a posting machine, and it is only about 2 years old. In order to handle their withholding tax under this new withholding formula, these machines will be obsolete.

Secretary FOWLER. Senator, I can't give you a definitive answer on this case. All I can say is that during the development of the graduated withholding proposal we met with many employers and this problem was not raised. The Internal Revenue Service has checked with other employers in the process, and they have not encountered any computer problem. I think we first heard of the case when you raised it informally the other day with one of the members of the staff—who has been trying to track down the source of it. We will be prepared to discuss it with you in the executive session.

The thing that gives me some doubt as to whether it is a serious problem is the fact that, as you know, 18 States presently have graduated withholding. It is hard to believe that there would be major computer problems that those in the business wouldn't have adapted themselves to by this time.

Now it may be that some old machine that was created for a variety of other purposes long before this, one of the early devices you might say, might be obsolete and not adaptable to this process. But I would doubt very much that there is any substantial line of updated computer equipment that could not be adapted to this operation, or I think we would have heard of it.

Senator WILLIAMS. This letter indicates that the machine was bought since 1961, and I am going to give the letter to Mr. Surrey after this meeting and will discuss it later.

Secretary FOWLER. Right, sir.

Senator WILLIAMS. I shall ask you to study it, and we will take it up with you when we get into executive session. I didn't have the name of the company when I discussed it the other day, but I do have the letter now, I will give it to you later.

Secretary FOWLER. Thank you, sir.

Senator WILLIAMS. We were discussing earlier the question of interest rates and the 1967 deficit. I won't go back and review all that

because I think we reached an agreement that the deficit for fiscal 1967 was between \$9 and \$10 billion.

Secretary FOWLER. That was your statement. We didn't reach any agreement on that.

Senator WILLIAMS. Well, if we didn't reach an agreement we will go back over it again.

Secretary FOWLER. We would be here a long time. I just couldn't agree to the way you phrase it, Senator. That is all.

Senator WILLIAMS. Well, let's go back because I certainly wouldn't for the world want to leave you, least of all, with a misunderstanding as to the deficit this year. I was perfectly satisfied by the way we had it clarified before.

Secretary FOWLER. I don't think there is any problem about the arithmetic—it is the interpretation and application of the arithmetic and what you don't include in your summation about the other side of the ledger.

Senator WILLIAMS. I am not speaking of the FNMA. I am speaking of the expenditures, normal expenditures, and the normal income of this Government as it was projected to the Congress in the President's message wherein he claimed that there would be a \$1.8 billion deficit.

Secretary FOWLER. That is right.

Senator WILLIAMS. Now, in order to arrive at that \$1.8 billion deficit you have figured on a \$5.4 billion acceleration of the corporate income tax payments.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. Part of which was taken care of in the 1964 act, and part of which is taken care of in this bill now before us.

But the sum total of the combined acceleration is around \$5.4 billion that will come in 1967, that would not have come without the accelerated payments, is that correct?

Secretary FOWLER. Well, about \$5 billion.

Senator WILLIAMS. There were approximately \$400 million that will come under your proposal for withholding tax that would not have come in normally, is that correct?

Secretary FOWLER. That is correct.

Senator WILLIAMS. And there is about a billion and a half that will come into the Treasury in the 1967 fiscal year, as a result of the reduced content of silver in the coinage, about \$1 billion in 1966, and about \$1½ billion in 1967 that is nonrecurring income, is that correct?

Secretary FOWLER. It is nonrecurring and it will diminish substantially in 1968.

Senator WILLIAMS. That is right, it practically vanishes; but \$1 billion in 1966, and \$1½ billion in 1967 fiscal, is that correct?

Secretary FOWLER. That is roughly correct.

Senator WILLIAMS. And the above normal sales of FNMA certificates are about \$1 to \$1½ billion, is that correct?

Secretary FOWLER. That is correct, sir; when you say above normal I would say—

Senator WILLIAMS. Well, I would say average.

Secretary FOWLER. At the average.

Senator WILLIAMS. You are selling \$4.7 billion; this is an acceleration of about a billion and a half above the average sales. The point

I make, if you take these totals which you will admit are one-shot operations—

Secretary FOWLER. We definitely admit they are one-shot operations.

Senator WILLIAMS. Figuring the 1968 fiscal year with the same rate of expenditures, projecting the same level of income that you have now you have a \$9 billion deficit. This one-shot income is used up, is that not true?

Secretary FOWLER. This is used up this time. I would like to make just two comments, Senator, and I think we can leave this where we have it. My objection went to the phrasing of this as a deficit different from the \$1.8 billion that is included in the President's budget. I will make my point with just one illustration.

We have had corporate accelerated income incorporated in the 1965 budget to the tune of about a billion dollars as a result of the—

Senator WILLIAMS. That is right.

Secretary FOWLER. In computing the deficit for fiscal year 1965 we didn't treat that billion dollars of accelerated corporate income in any different way from the manner in which we are treating the \$5 billion acceleration in fiscal 1967.

Senator WILLIAMS. That is right.

Secretary FOWLER. And we called the deficit the deficit taking into account the income that comes from whatever its particular source. Now, that is—

Senator WILLIAMS. Mr. Secretary, I am supporting you in accelerating these payments. Don't misunderstand me in that. I supported it in 1955, but I did it with the clear understanding that we were moving forward a portion of the corporate tax payments and that our action would have the effect of reducing the deficit in those years. Congress did it in 1955; it does it now. I don't quarrel with what you are suggesting, but what I am trying to point out is that we are going to reach a cutoff period in 1968 where this nonrecurring income will not be available. Based on a \$1.8 billion deficit for 1967 that is about \$150 million deficit. When in 1968 you move beyond this notched period with the expenditures and income running the same, you overnight move into an \$800 million deficit per month. I am just pointing out that this is a real problem we have got to recognize and deal with.

Secretary FOWLER. The only other thing I would like to add is that when the time comes to draw up the budget for fiscal 1968 that the absence of these, as you phrase them quite properly, one-shot sources of revenue will have to be very definitely taken into account. The expenditure pattern in fiscal 1968 will have to take into account the increases in revenue that are a derivative of the economic growth of our economy. The budgeting problem in fiscal 1968, assuming a continuance of the war at its present scale, is going to present a very serious problem, which I know the President is quite conscious of. It will mean that the expenditure pattern for fiscal 1968 will have to be kept very much in scale.

Senator WILLIAMS. That is the only reason I was raising this here. I think we have a clear understanding that there is this notch provision. After 1968, it will have to be taken care of either with reduced expenditures or it will have to be taken care of with a substantial increase in taxes unless your revenues have gone way beyond what any-

body has anticipated. I am wondering if this one-shot operation isn't something to get us by the 1966 elections, and then you are going to come back in again with a proposed tax increase. I don't think the American people should be caught by surprise or allowed to be unaware of the fact that this is a one-shot operation that will not cure a rather serious problem with which we are confronted. Our revenue and expenditures are not in balance. As one who is going to support this proposal here this year. I am doing it with the clear understanding that it does not cure the problem with which we are confronted. It is only an aspirin that is going to relieve the headache at this particular time. It is not curing the real problem of a \$9 billion deficit. We are going to have to have a major operation here someday.

Secretary FOWLER. Senator, there is no question but I think we agree that the financing of an additional \$10.5 billion for expenditures in South Vietnam presents a serious problem with which we are all confronted. The financing of this additional requirement, both in this budget and in the budgets that follow, if the situation continues, will necessitate a serious holddown in the pattern of expenditures and, on the revenue side, the taking advantage of the so-called fiscal dividends of economic expansion. I think this current budget does that to a very considerable extent by applying revenues resulting from the bill before us, as well as the fruits of the economic expansion anticipated in this calendar year, to defraying the costs.

Now, next year when we sit down in the budgeting process the scale of the war will, of course, be an overriding consideration. I want you to know that we are just as conscious of the problem as you are, or we won't have these one-shot additions at that time. I believe the allocation of the increased revenues from an expanding economy to the war will be an overriding consideration.

Senator WILLIAMS. I appreciate that statement, and the reason I raised it was that I had two or three make the point as to why the concern. They say that a one-shot operation was used in 1955 to a partial degree, as you just stated, and the administration uses a one-shot operation now to accelerate the payments, why not use it again next year. The point that I was trying to get through, and you have agreed, is that we have used it up; it is done.

Secretary FOWLER. That is right.

Senator WILLIAMS. In 1955 they used a part of it, but this time we have used the remainder.

Secretary FOWLER. That is right, sir.

Senator WILLIAMS. There is no possible way you can advance these taxes further. They are current after the enactment of this bill.

Secretary FOWLER. You can't collect taxes in advance.

Senator WILLIAMS. That is right.

Now, one other point, and we were discussing this point in the office a couple or 3 months ago, and that is the need for a change in the interest rates on E-bonds, I noticed that it has been changed to 4.15 percent, I think that was—I won't say overdue—but it was certainly a justified correction.

The question that is in my mind, and the point we were discussing, is that the sale of these E-bonds could very well be used as a deterrent to inflation if you could get the people to buy them, encouraging

them to save rather than spend the money. I am wondering if the 4.15 rate is adequate to encourage the savings that would really help the situation from an inflation standpoint now.

Secretary FOWLER. I think, Senator, that the 4.15-percent rate will go a good part of the way to giving us a base for a much more intensive, and I hope a much more successful, savings bond program this year.

We are trying to make this year's savings bond program far more intensive than at any time since the war days.

I appreciate your interest and concern with this problem, because I think you see the savings bond program as a useful way of dealing with any threat of inflation. The more that we can induce savings at this time, the greater safeguards we have.

In addition to changing the rate of interest and putting a good deal of effort into the industrial payroll savings plan—in connection with which I might add we have very excellent committees and receive substantial volunteer help from industry—we are considering whether or not a new product line could be devised within the framework of the 4.15 rate, but tailored in such a way as to give inducements over and above the present type of bonds that are being sold.

I am not prepared at this time to say whether we are going to arrive at something that we think will be more attractive in connection with the payroll savings plan, but we are working on it very hard, and hope to have something to report soon on that subject.

Senator WILLIAMS. I know you are, and I have discussed this subject with you many times.

Secretary FOWLER. Yes.

Senator WILLIAMS. We are both pretty much in agreement as to the objective, but the reason I make this point is that during World War II, at a time when we were really confronted with inflation and price controls, I think the rate was 2.94 on these E-bonds. It was right around 3 percent, but at that time money deposited in the banks would draw 1 to 1½ percent, and the E-bonds were made the most attractive investment.

There was a limitation put on as to the amount each could buy, but they were used to siphon off much of the spending power of the consumers. The Government encouraged them to put their money into savings. Today we do have, and I don't like to say it, but we do have this threat of inflation. I think that is misleading—I think we have inflation. I don't think it is something we are dealing with as a future possibility. We have inflation here within our midst, and we had better recognize that as such. I think you feel that way about it.

Secretary FOWLER. No, sir, I don't feel we have inflation. I think we have threats. We have price instability, but I do not go along with the proposition that we currently have what I would call inflation.

Senator WILLIAMS. Well, I won't deal with words. It is a good bit like this bill is called a tax adjustment instead of an increase, but I expect the people paying their telephone bills, getting a 7-percent extra charge on it, are going to think it is more of an increase than it is an adjustment.

But regardless of words, the historic record of these E-bonds is that we made them a more attractive form of savings.

I noticed in the paper this morning that one of the New York banks is paying 5-percent interest on time deposits, I think they were about 6-month certificates of deposit.

If a man can get 5-percent interest he is not going to buy 4.15-percent E-bonds. You can buy Treasury bonds that yield 5 percent. You financed a sizable maturity just a couple of weeks ago with 5 percent. If we are going to pay the banks 5 percent wouldn't it be better to offer a more attractive form of some type of a bond, an E-bond, or call it a retirement bond, perhaps a 10- or 20-year bond, but offer the small investor, the man working in the plant whom we are encouraging to lay aside a portion of his earnings, a plan whereby you will pay him at least the equivalent of what we are paying the banking system?

Secretary FOWLER. I think there is a great deal of merit in what you say and this is one of the areas that we are studying quite intensively—as to whether we can couple the patriotic incentive that is always involved in the industrial and Government employees payroll savings ment of thrift and the automaticity of saving that is particularly involved in the industrial and Government employees payroll savings plans. We are studying possible ways of coupling those two things so as to induce the 8 or 9 million people who are currently engaged in regular saving through wage and salary payroll deductions to add to the magnitude of their savings along with inducing additional millions to become participants in the program. This is the area of the problem we are addressing ourselves to.

Senator WILLIAMS. I have been a supporter of your program, as you know.

Secretary FOWLER. Yes, sir.

Senator WILLIAMS. I have been very much interested, and it is not something I am suggesting we should correct in this legislation but it does need consideration.

Secretary FOWLER. Yes.

Senator DOUGLAS. Will the Senator from Delaware yield for a mischievous interjection on my part?

Senator WILLIAMS. If you will wait for this next question then you can make all the mischief you wish. I realize that there is a patriotic appeal being placed on purchases of the E-bonds, but I don't think it is quite cricket to figure that the 8 or 9 million workers who are going to buy these E-bonds should be called upon to contribute their savings from a patriotic standpoint at 1 percent less than we pay the banks. Patriotism is something that extends to everybody, not just this particular group of people who are buying the E-bonds, and I hope we can work out something in the spirit of equity. I don't think that they should be asked to finance the Government at lower rates than we pay the banks; but even more important in this question of dealing with inflation and the excess purchasing power at this time. It would help tremendously if we could siphon some of this money into savings.

There is general agreement on that.

Senator DOUGLAS. Now will the Senator permit me.

The CHAIRMAN. Hold on, the Secretary hasn't had a chance to answer the question.

Secretary FOWLER. I have no further comment.

Senator WILLIAMS. Now the Senator from Illinois.

Senator DOUGLAS. In Greek tragedy Cassandra always perceived evil and misfortune. From time to time she probably played an important part. But many times she was quite inaccurate. When the modern Cassandras get up and say we are being devoured by inflation, I think that they are exaggerating the danger. I will merely point out that the newspapers this morning carried a release from the Bureau of Labor Statistics that the wholesale price level remained absolutely steady last month. So we need to have a sense of proportion.

The CHAIRMAN. Senator Williams.

Senator DOUGLAS. Thank you, I thank the Senator from Delaware.

Senator WILLIAMS. Thank you. I thank the Senator from Illinois in classifying his own remarks as mischievous. This is the point I am making, the great danger as I see it is that for some time there has been a reluctance on the part of many in responsible positions to recognize that inflation can develop in this country or to recognize that we are at war. I think we are confronted with both. Both inflation and the war are real. If we close our eyes to these threats and just treat them as big bugaboos that will go away I think we are going to be rudely awakened at some time.

Senator DOUGLAS. This is not mischievous. It is a threat but not a reality.

Senator WILLIAMS. Well, I expect there are 200,000 boys in South Vietnam who think that war is a reality, and even though it is not so declared. I know that they consider it a reality, I consider it a reality and will consider it a reality until such time as we have everyone back home safe. I think that our Government should recognize what is happening on the domestic front. I am sure that the Secretary of the Treasury is vitally concerned about inflation.

Secretary FOWLER. Senator Williams, I think I should say that the administration has been seriously concerned since the earliest time the wholesale price index indicated that we were not enjoying the price stability that we had for the past 7 years. I made a number of speeches in various areas, addressing myself just to the problem of expression of concern. Many other members of the administration, including the President, also expressed concern from time to time. The President has made repeated appeals to those in his own administration, the department heads, to hold down and reduce expenditures. I heard him make this point 3 or 4 times last summer in connection with the budget operations. He went into great detail, in a way I have never seen any previous President pursue the matter, on the necessity for holding down and giving priority to particular operations and cutting back on others. At the same time, as you know, all during the late summer and fall there have been repeated appeals for restraint to management and labor in dealing with the wage and price decisions. I don't think there has been any—as a matter of fact, I think there has been an effort on the part of the administration to focus, as Senator Douglas has indicated, on the importance of dealing with this threat. And I don't think it is fair to say that we have tried to cover it up.

Senator WILLIAMS. I didn't say that. I want to congratulate you on your remarks and your recognition of the problem. You men-

tioned in a colloquy with the Senator from Georgia the other day that the wholesale index had jumped I think it was around 3 percent and the bulk of that increase was in the last 60 or 90 days. I realize that the administration has been expressing concern, and I think very properly so. I certainly don't join those who characterize your concern as mischievous. This is a real concern, and I hope that those in Congress who don't agree with you won't consider that you and anyone else who expresses a concern is a mischiefmaker. Maybe the mischiefmakers are in the other direction.

Senator McCARTHY. If the Senator will yield, I hope the Treasury doesn't get overcommitted to support the position which has been opened up by the Senator from Delaware. I don't think the problem of inflation is particularly serious at the present time. Do you, Mr. Secretary?

Secretary FOWLER. No, I think that the threat of inflation, the loss of price stability, is something that we have to constantly guard against, Senator McCarthy. I think it is one of the three or four major national economic objectives. I couple maintaining what I would call relative price stability, along with a healthy rate of economic growth, full employment, achieving a balance in our payments. I think those are the four objectives. I don't think any one of them should have a special priority, and I have said so. I think the problem is to achieve the economic mix that achieves a maximum of all of these things and not just to be preoccupied with any particular one.

Senator McCARTHY. It is a pretty good mix now, isn't it?

Secretary FOWLER. I think it is a very good mix.

Senator McCARTHY. What has been going up? What has influenced the index to cause the rise?

Secretary FOWLER. The wholesale price index of farm products has gone up by 12.3 percent from January 1965 to January 1966, and the index of processed foods has gone up 7.8 percent. All others, which includes the industrial category which is in a way the most significant one in terms that we are talking about, went up 1.6 percent over the last year.

Now——

Senator McCARTHY. That is about what it has averaged, isn't it, over the last 7 or 8 years?

Secretary FOWLER. Over the last 7 years the wholesale price index has been at a fairly steady level. There was no——

Senator McCARTHY. The overall index though went up 11 points, roughly, since 1957.

Secretary FOWLER. You are talking about consumer price index, Senator.

Senator McCARTHY. Yes.

Secretary FOWLER. We are talking about the wholesale price index.

Senator McCARTHY. Overall.

Secretary FOWLER. The consumer price index has gone up on the average of about 1.3 percent over the last 7 years. The 1964-65 increase was 1.7 percent.

Senator McCARTHY. Isn't it a fact that farm prices have generally been depressed for the last 10 years and what is happening now is an equalization? The administration is not opposed to an increase in farm prices. They don't think they are out of hand, do they?

Secretary FOWLER. Well, I am not particularly an expert on farm prices or prices of foods and farm products and processed foods, but I do think this is an area, just like any other, that we ought to be concerned about insofar as prices go. I think Commissioner Ross indicated yesterday in announcing a consumer price index for January that we could continue to expect some increase in meat prices in the months ahead.

Senator WILLIAMS. You mentioned wholesale prices had been relatively stable in the last 6 or 7 years. Is it not true that in the last year they rose about 3 percent and that that is what caused the concern?

Secretary FOWLER. That is right. And I think any departure from relative price stability is something which is a cause of concern. I do think that there has been a tendency, as Senator McCarthy indicates, to magnify concern with the threat of inflation and sometimes to diminish our concern with the other economic objectives. I think, under ordinary conditions, and even under the conditions we have today, all objectives should have close to equal emphasis.

Senator WILLIAMS. One of the arguments you used in support of this bill was the fact that it would draw from the corporations a certain amount of cash, it would reduce their cash flow, and thereby reduce their ability to expand or it would act as a deterrent.

Secretary FOWLER. It will diminish private purchasing power in calendar year 1966 by \$2,700 million. That would be its economic effect.

Senator WILLIAMS. How much is your corporate tax normally?

Secretary FOWLER. I don't have the exact figure.

Senator WILLIAMS. Approximately.

Secretary FOWLER. The estimate for fiscal year 1967 is \$34,400 million. For fiscal 1965, actual receipts were \$25.5 billion. The estimate for fiscal 1966 is \$29.7 billion.

Senator WILLIAMS. I realize this bill is not raising corporation tax rates; it is only advancing payments, but the mathematical effect from the cash flow of the corporations by this bill is the equivalent of a 6-percent tax increase, is it not?

Secretary FOWLER. I think——

Senator WILLIAMS. Approximately?

Secretary FOWLER. You have to take into account the normal practice, Senator.

Senator WILLIAMS. I realize—don't misunderstand me. I am supporting the bill as I told you in these accelerated payments, but from a cash flow standpoint of the corporations of America the mathematical effect is the same as withdrawing 6 percent extra tax.

Secretary FOWLER. I wouldn't want to be in a position of contending that the economic effect of the corporate acceleration was the equivalent of a tax increase in the same order of magnitude in dealing with any threat of inflation. I think the two are entirely different things. One is a much milder deterrent.

Senator WILLIAMS. I am just speaking from a dollar standpoint that that is about what we are doing. One of the arguments advanced—one of the principal arguments advanced is, of course, you need the money.

Secretary FOWLER. That is the principal argument.

Senator WILLIAMS. Sure. One other argument advanced was that it would withdraw this money from the purchasing stream of these corporations and thereby act as a deterrent at this particular time of overexpansion.

Secretary FOWLER. We think that the fact that it has that secondary effect is appropriate in view of the general economic situation.

Senator WILLIAMS. Mr. Chairman, if somebody else has some questions I will yield.

The CHAIRMAN. Mr. Secretary, one thought occurs to me for simplifying our tax laws. According to a chart on page 4 of our summary of H.R. 12752, you estimate that the number of people who would break even under the system that is provided here would be increased from 10.8 to 20.8 million.

Secretary FOWLER. That is the number of returns; 10 million returns break even under the present system and 20 million would break even under the new system.

The CHAIRMAN. Fine.

That works out to be about, roughly about 35 percent, I would suppose of all returns would be at the break even on the basis that they would be within \$10 of their actual tax liability.

Secretary FOWLER. About a third of the returns.

The CHAIRMAN. Now, my thought is this. There is an awful lot of minutia and bother about a return where you have only a dollar or \$2 coming to you. Why don't we just provide by law that if a person takes a standard deduction and if he lists the correct number of exemptions, then within that \$10 range there just would be no payment one way or the other; that is it?

Secretary FOWLER. You mean carry it over until the next year.

The CHAIRMAN. No.

Secretary FOWLER. Cancel it out.

The CHAIRMAN. Cancel it out. Just provide by law that within that range of \$10, what you owe, if you elect a standard deduction and claim the right number of exemptions, it what is withheld.

That in that small range, tax liability would be the amount withheld. You wouldn't have to collect small amounts and you wouldn't have to write small refunds.

Secretary FOWLER. Senator, my natural inclination is to be very reluctant about forgiveness in taxes in any amount. I would like to think about it.

The CHAIRMAN. My point is this, Mr. Secretary: If you elect the standard deduction you are not itemizing. You just take a standard amount. So if you elect a standard deduction, if we overwithhold by less than \$10 it is ours, that is what the law would say. If we underwithhold by less than \$10 it is yours. But we could affirmatively provide by law that the amount withheld is the tax obligation, rather than the amount that you would get in the event that you went into all the details.

Secretary FOWLER. I am not worried about all the people that are underwithheld and you forgive the tax. I am thinking about these people that are overwithheld and want their \$10 back.

The CHAIRMAN. Well, my thought about the matter, Mr. Secretary, is that it would have practically no revenue consequence if you said either way. It seems to me the chance it would break one way is about

the same as the chances of breaking the other. A great number of taxpayers would just like to be done with it once their tax is withheld. In other words, by the time he gets through with all this computing, and one thing or another, and goes down to some consultant and pays him \$10 to figure out if he has \$10 refund coming back, it seems to me it would be just as well to say if they withheld on the basis of a correct statement of what his exemptions were, there is nothing owed.

If he owed the Government another \$5 let's just forget about it. If the Government owes him \$5, the same answer.

Secretary FOWLER. Well, I, of course, have concern about all the people who aren't involved with withholding. Do you give them the same treatment, \$10 more or less?

The CHAIRMAN. No; because if people itemize——

Secretary FOWLER. No; who use the standard deduction but file a return—have nonwage income.

The CHAIRMAN. Well, if you are going to go to the trouble of working it all out and listing everything this wouldn't apply, but where you are withholding and only a standard deduction is involved, I think most people prefer just to be done with it, especially if the range in which you are working is a range of less than \$10. If you are getting down to a \$3 range I know they would rather be done with it than to mess around with it.

Secretary FOWLER. They are still going to have to file a return.

Senator, I think this is a very interesting suggestion. I would hope that at some point during the year we could have some tax simplification matters for the Congress to consider. I am reluctant to pass judgment on it in connection with this particular bill. I think if it proves to have merit after study, I would see no reason why it couldn't be taken up just as well later rather than in connection with this bill.

The CHAIRMAN. I would appreciate it if you would look at it, because I look at this chart and we come down here and it says 20,800,000 people are going to break even. That looks great. I would say hurrah, there are that many people who are not going to be bothered with and working all this tax out, they would break even. That is the whole basis of the graduated system, to try to equalize tax withheld with tax due. I think if we get down especially to within \$5 or even within \$10, it is fair to say we have worked this out as closely as we could. If you are not trying to jimmy the thing one way or the other then let us withhold on that basis and forget about this small difference.

I think it would do well to apply the principle if we can work it out. If we could have 20 million taxpayers that would be done with by the time they got through withholding it would be a great simplification and a great relief to them.

Secretary FOWLER. We will certainly get to work right away on a staff paper to deal with this and try to have it within 24 hours or so, or by afternoon, so that in your executive sessions you could consider this. I just don't want to pass on it without giving some thought to the consequences of it. I don't want to go along on any principle of forgiving a tax owed without giving it very serious consideration.

The CHAIRMAN. The withholding tax is popular among working people but I think it would even be more popular if the average workingman finds his tax is all paid up by the end of the year through

withholding and he doesn't have to bother with complicated computations. I think he is entitled to know what he is paying but I also think that the less bother there is, the more popular the tax would be. As you know, very few people like to pay taxes.

Senator WILLIAMS?

Senator WILLIAMS. Mr. Secretary, there has been one other point called to my attention. In the bill there are two withholding schedules, one for married persons and one for single persons. How will heads of household be treated, single or married?

Mr. SURREY. The head of a household is treated in this bill as a single person. That result more closely coincides to his ultimate tax liability than would be the case if he were treated as a married person.

Senator WILLIAMS. Would that result in an overwithholding on the head of households?

Mr. SURREY. It would result in some overwithholding for that person. If you swung it the other way, it would result in underwithholding. The allocation to the single side is closer to the final tax liability. In other words, you are going to have a plus on one method and a minus on the other method and the minuses would have been much greater than the pluses.

Senator WILLIAMS. Does it result in more overwithholding under this formula than it would under the existing law?

Mr. SURREY. I couldn't answer that question right off. Since it will vary from bracket to bracket, I would have to check the particular income levels and the amount of withholding.

Senator WILLIAMS. Will you check that so that when we get into executive we can take this point up further? In line with the statement by the chairman of the committee about the future date when we will be dealing with a simplification of the Revenue Code, I have just this one request to leave with you. This is perhaps from a personal standpoint, but when you simplify the Revenue Code further let's not simplify it as we have the withholding rates under this bill, because I will be frank with you, I don't understand it and I don't think very many others do. It took about 60 pages of this bill to simplify the withholding task here.

This simplification reminds me of a letter I received from one of my constituents about this bill. He said, "I will not object to any suggested tax increases in this bill or the method of paying, all I object to is the simplification." He said, "You have simplified the form so much now it costs me more to pay the accountant than to pay the tax."

Secretary FOWLER. As a layman in the tax field I believe I somewhat share your point of view on this. However, I believe that the end result of this tax bill will be for simplification.

Senator WILLIAMS. I hope so. But the end result of this withholding is only a difference of about \$65 million a year, isn't it?

When this gets to working, say 3 years from now, the difference in the withholding as provided for under this bill is about \$65 million a year; is that not correct?

Secretary FOWLER. The total overall result——

Senator WILLIAMS. Of the withholding.

Secretary FOWLER. Well, I don't think it will end up in any difference as far as——

Senator WILLIAMS. Not as far as the tax is concerned. The \$65 million amount, as I understand it based on the committee report—

Secretary FOWLER. Yes; but I think those totals, Senator, obscure the fact that for different people there will be different results.

Senator WILLIAMS. That is right.

Secretary FOWLER. The table on page 4 of the staff summary of the bill indicates that there will be a substantial reduction in the amount of overwithholding, a substantial reduction in the amount of underwithholding, and a substantial increase in the number of people, as Senator Long indicated, who are pretty well at the break even.

Senator WILLIAMS. I accept that.

But speaking from a mathematics point of view. The first year, 1967, you will pick up an additional amount of approximately \$220 million under this withholding provision as passed by the House; is that correct?

Secretary FOWLER. \$210 million.

Senator WILLIAMS. In 1968, you don't pick up any money but you lose \$290 million, do you not?

Secretary FOWLER. That is correct.

Senator WILLIAMS. So you actually lose revenue in fiscal 1968 as a result of what we are doing?

Secretary FOWLER. Yes.

Senator WILLIAMS. Then in 1969, 1970, and the years thereafter there is a \$65 million difference when it gets back on the even keel; is that right?

Secretary FOWLER. Yes; that is right.

I think this measure is one which results in a good structural change in the method of tax collection and one that is more appropriate to take at this time in view of the revenue situation and the economy than it would be at some other time when there would be some worry about its adverse effect.

Senator WILLIAMS. In other words, it would draw \$220 million from the economy during 1967 when you would like to draw from the economy?

Secretary FOWLER. That is right.

Senator WILLIAMS. \$220 million?

Secretary FOWLER. Approximately.

Senator WILLIAMS. This is to combat this inflation which some don't want to recognize, and which the mischiefmakers say we don't have.

Secretary FOWLER. I wouldn't put it that way. I would say that a primary purpose is to affect a permanent structural change in the collection system. The incidental fact that it has this impact at this time is appropriate and not something to be concerned about—as we were last spring when we considered whether or not the imposition of a graduated withholding system would have an adverse effect.

Senator WILLIAMS. And the fact that \$220 million—

Secretary FOWLER. If it has any affect on the economy, it will be good.

Senator WILLIAMS. The \$220 million extra that we will take in during 1967 will be offset by \$290 million lost in revenue in 1968, and the fact that this happens to be an election year is only incidental, is that right?

Secretary FOWLER. Only incidental. I never thought of it until this minute, Senator Williams.

Senator WILLIAMS. I am sure of that, just as when the withholding rate was reduced from 14 percent during the 1964 election year. The fact that it provided lower taxes in an election year and extra payments in the year after was again only incidental.

Secretary FOWLER. Senator Williams, I went back into private life in April, 1964, so I was unaware of an election.

Senator WILLIAMS. I won't hold you responsible for it.

Senator McCARTHY. If the Senator will yield.

We Democrats look to what happened to the Republicans after they cut taxes in the 80th Congress. It didn't help them very much in the next election. Apart from the economic considerations, from a purely political point of view, there would be no reason to believe that reducing taxes in an election year would be of any help at all, would there?

Secretary FOWLER. I think, Senator, the changing of taxes up or down is a perilous business.

Senator McCARTHY. In fact, I think it is almost politically more difficult to explain tax reductions than it is to explain tax increases.

Secretary FOWLER. I have had the greatest difficulty.

Senator McCARTHY. We observed that in the great cut of 1964 some people preferred to be relatively better off than their neighbors rather than to have both their neighbors and themselves to be absolutely better off.

Secretary FOWLER. It seemed to be a real problem.

Senator WILLIAMS. Now that we are being told that tax reductions do not help politically, we might also say that this crew style tax cut of the Great Society that went into effect January 1 and is now being repeated 12 days later, didn't help either the political situation or the taxpayers.

Senator McCARTHY. Could I ask the Secretary this question: Let's assume that the excise tax change you are proposing is not approved by this committee, do you have a fallback provision? Are there any other taxes that you have as a second choice, that we might increase to raise an equivalent amount of revenue?

Secretary FOWLER. No, I don't have any fallback position. In that event I think that would be a factor that would expedite our contingency planning to some extent.

Senator McCARTHY. You don't want to make any suggestion? Do you want to leave it up to us?

Secretary FOWLER. I will leave it up to the wisdom of the committee. I know they will replenish the revenue to the extent that they can.

Senator McCARTHY. If we didn't give you the \$1 billion if we used our own discretion to raise \$1 billion by putting on our own taxes, do you think we would do more harm than if we didn't give you the \$1 billion in excise taxes?

Secretary FOWLER. I would get some taxes from some other source.

Senator McCARTHY. You would leave it to the committee?

Secretary FOWLER. I would leave it to the committee.

Senator McCARTHY. I appreciate the confidence. It is a rather limited confidence.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator CARLSON. Before you conclude this hearing, I would like to state I was unable to be here when the Secretary made his statement and answered some of these questions, and I shall read the transcript at the earliest opportunity.

Secretary FOWLER. Thank you, Senator Carlson.

The CHAIRMAN. Thank you, Mr. Secretary. You have testified before us for 3 days now and that is about 10 hours on the witness stand and we appreciate very much your testimony, and in my judgment you are doing a forthright answer to every question that has been asked and we appreciate your advice here.

Secretary FOWLER. Thank you, sir.

The CHAIRMAN. That concludes the session this morning, and we have an executive session scheduled at 10:30 of this committee.

Senator RIBICOFF. Mr. Secretary, and, Mr. Chairman, I would like to tell you that I intend to offer an amendment to this bill on the floor for tax credit for college tuition. It involves a substantial sum of money and has a lot of interest, both in the country, and in the Senate, I believe, and I would imagine that you would be violently opposed to it this year, too.

Secretary FOWLER. I was asked at the House Ways and Means Committee by, I believe, Congressman Curtis—he has known of my long interest and deep concern with manpower training and retraining—whether the Treasury would favor a tax credit in connection with his human resources development bill. I replied to him in much the vain that I must reply to you, that given the conditions that we have today it will have to be the position of this Department to oppose any measure that involves a substantial reduction in taxes for any group or individuals. As I understand your proposal, the amounts involved certainly qualify within the meaning of the term substantial.

Senator RIBICOFF. It is substantial.

Secretary FOWLER. And, therefore, we would be opposed for that reason, over and above the other reasons you are familiar with which were the basis of our opposition to this proposal when it came up in connection with the 1964 tax reduction bill.

Senator RIBICOFF. Well, I feel one of these days, the Congress will pass it. I believe, in almost all your tax programs, the middle income groups are being short-changed and very little is ever proposed that would be helpful to them. I did want to put you on notice and also the Chairman that there will be another fight on this on the floor. I will offer this as an amendment to the bill when it comes to the floor.

I just wanted to tell you, in fairness.

Secretary FOWLER. I think for all the reasons, Senator, that we have been opposed to your bill before, there is now the additional reason that I just don't think it is the time for tax reduction in any substantial amount to be considered.

Senator RIBICOFF. Of course my only reply to you is it never is the season. It wasn't this year. Last year when you were cutting taxes it wasn't the season either.

Secretary FOWLER. No.

Senator RIBICOFF. Now that you want more taxes it isn't the season now.

Secretary FOWLER. No, we had substantive reasons for our opposition then. I say there is only the additional reason now. I hope your continued advocacy of this measure would be more for the record than——

Senator RIBICOFF. It is not for the record. I can assure you it will not be for the record. It had quite a few votes last time and I hope to have same thing this time.

Senator McCARTHY. Mr. Secretary, I reassure you I don't intend to offer any amendments of head-of-household treatment to people over 35.

The CHAIRMAN. Would you give us your estimate about how much the matter would cost? If you can't give it to us now——

Secretary FOWLER. It is approximately a billion dollars.

Senator RIBICOFF. I would say between \$700 million to a billion.

Secretary FOWLER. \$700 million to a billion were estimates prepared over the last several years. The cost goes up as college enrollment increases.

The CHAIRMAN. In full operation, it would cost more than that. It would be maybe \$2 billion.

Secretary FOWLER. The cost will go up as college population and tuition costs increase.

Senator RIBICOFF. If prosperity goes up, but suppose this went into effect, not in 1967 but in 1968. In other words, suppose we amended it to be effective in 1968 instead of 1967. I am not saying that I would contemplate that, but would you still be opposed to it?

Secretary FOWLER. Oh, yes. Tax reduction should not be considered in piecemeal fashion. I have a very great concern, as you know my predecessor did, that in connection with further tax reduction consideration should be given to the impact of the tax system on the low-income groups. I think if any priority is to be given in tax reduction, the first priority should be given to the low-income group.

Senator HARTKE. Do you prefer the Hartke-McCarthy plan, direct subsidy to the students of tax subsidy?

Secretary FOWLER. Very strong advocate.

Senator RIBICOFF. Would you be opposed to that amendment?

Secretary FOWLER. Considering the general budgetary considerations, I would have to be opposed to anything that would add substantially to the President's budget as presented at this time.

Senator SMATHERS. Let me just say this, I want to claim a little parenthood with respect to this proposal of Senator Ribicoff. I introduced an amendment 12 years ago, I think it was, on this same matter without any success then, and at one time—of course I know it depends upon how far you go but it cost \$5 billion, I was told—and one of the reasons that they talked me out of it was because of that fact.

Then I have since subsequently been advised that now with respect to education, that the educational recommendation made by the administration and adopted into the law have been such now that most any boy and particularly the low-income boy can get an education, and the ones who can afford to send their children anyway, don't particularly need it.

I still have great sympathy for it, but I support the administration's position on it.

I did want you to know that at one time I was one of the fathers; there were many fathers of this kind of legislation.

The CHAIRMAN. Mr. Secretary, the committee has received a great many inquiries from tax-exempt organizations urging a uniform exemption from excise taxes for all tax-exempt organizations which are publicly supported and to which 30 percent charitable contributions can be made. I note that the House bill includes a new exemption from the communications tax for private hospitals. What is your advice as to the advisability of extending this exemption?

Secretary FOWLER. In our view, this is not the appropriate time to consider revenue losing measures. The increased revenues which would result from enactment of this bill are necessary in light of the current economic and fiscal situation. It is inconsistent with this goal to add measures which will reduce revenues at this time.

In addition to the revenue implications of this suggestion, there are serious policy issues involved in the question of exempting various organizations from the excise taxes. Aside from the telephone and automobile taxes which are scheduled for gradual reduction, the excise taxes which would be affected are ones which are in the nature of user charges, regulatory taxes, and sumptuary taxes. It is inconsistent with the purpose of these taxes to exempt from them a large number of organizations. For example, the principle behind user taxes, such as those which are devoted to the highway trust fund, is to recoup the costs of certain programs from those who benefit from them. Within this context, there is little logic for exempting a particular class of users merely because of their income tax classification.

Moreover, granting exemptions to a large number of organizations would substantially increase the administrative burdens for the businesses on whom the excise taxes are imposed. They would have to process many requests for exempt sales which would involve extensive paperwork. Similarly, verification problems for the Internal Revenue Service would be substantial.

Finally, adoption of this suggestion would not end the issue. Past experience has proven that it would merely provide an impetus for still other types of organizations or businesses to press for similar relief in the future. The usual argument advanced is that an exemption is needed for any organization or business which performs functions similar to those of an organization that is already exempt. The exemption in the House bill for nonprofit hospitals was requested on just such a ground. The result can only be a further erosion of the tax base. As I have indicated, this is especially inconsistent with the philosophy of most of the remaining taxes. Perhaps the most sensible solution at this time is to remove the limited and selective exemptions now in the law rather than add to them.

The CHAIRMAN. At this point, without objection, I should like to submit several statements and letters for inclusion in the printed record.

That concludes the hearing, and we will now go into executive session.

(Whereupon, at 10:45 a.m., the committee recessed, to reconvene in executive session.)

STAMFORD, CONN., *January 18, 1966.*

HON. RUSSELL LONG,
U.S. Senate,
Washington, D.C.

DEAR SIR: If the 10-percent Federal excise tax on telephone service is to be restored, is there any possibility of an amendment to exempt the Nation's non-profit hospitals?

Since schools have long been exempt and since all governmental hospitals always have been exempt, it is believed that this would correct a longstanding inequity, which never was the intention of the Congress.

In a 1962 letter to me, the Assistant Secretary of the Treasury said that his department would oppose any exemption for hospitals on the same grounds that it opposed the exemption for schools.

Undeniably, I have an ax to grind, as this letterhead makes obvious, but in my opinion the Government has an interest in keeping hospital costs as low as possible, particularly since medicare, that may be more important than the small amount of Federal revenue that would be lost.

Sincerely yours,

DAVID V. SHAW.

EMPIRE COMMUNICATIONS CO.,
Eugene, Oreg., January 26, 1966.

HON. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SIR: If it becomes necessary to reimpose the excise tax on communications, would you please consider the following:

A tax on radio common carrier messages and equipment is an extremely discriminatory tax. No other segment of radio communication industry pays any tax. There is no tax on the equipment or use of radio for private radio communications either at the manufacturer level or user level that in even the slightest fashion equals the communication excise tax.

For years, RCC owners have been collecting the excise tax from the user-subscriber in the face of severe competition from nonprofit cooperatives and individual users of privately licensed radio systems. A like comparison in the transportation field would exist if the only tax to be levied was on the common carrier passenger service with no highway, gasoline, and license tax being collected from private automobile and similar users.

May I cite a few examples?

An RCC charges a customer \$30 a month per unit which includes message service and equipment. Total present tax is currently \$0.90 and would be \$3 if the previous rate of 10 percent is restored temporarily. A private user obtains a license from the FCC and uses the equipment free of tax and pays no tax on the purchase of the equipment.

Now let's look a little further. The \$30 a month per unit which includes message service is broken down as follows: \$10 message service, \$20 equipment rental. If the subscriber owns his equipment or rents or leases from a manufacturer or some other source, he still does not pay a tax on the equipment rental. The subscriber pays the full tax only if the equipment is rented from the radio common carrier.

Another example is the person who, with others, operates a cooperative message service. The service charge is \$12.50 a month for station operator and message service. Equipment and maintenance is furnished for an additional \$18 to \$20 a month from any one of a number of sources. No tax is collected for either of the charges.

The total amount of excise tax on RCC services to be collected at the old (10 percent) rate would be figured only in the thousands of dollars per month not even tens of thousands. While this does not amount to anything in terms of the millions collected on telephone service, it has a very damaging effect on our radio common carrier.

We plead for a fairer and more equitable treatment. Eliminate all tax on radio common carrier service and equipment.

Sincerely yours,

LESLIE F. SMITH, Jr., *President.*

TACOMA, WASH., *February 1, 1966.*

HON. RUSSELL B. LONG, of Louisiana,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: "Painless method for increasing withholding-tax payments."

In 1965 I had an extended correspondence with Dr. L. N. Woodward, chief of staff, Joint Committee on Internal Revenue Taxation, on a proposal to increase withholding-tax payments. He suggested that I should bring my proposal to the attention of members of the tax-writing committees.

Employees are now subject to a 4.2-percent social security-medicare levy on the first \$6,600 of their income. Once they paid this levy on \$6,600 wages, the deduction stops. My suggestion was to ask employers to continue to deduct the 4.2-percent levy after the maximum social security contribution has been paid in full but credit withholding taxes.

Under the present law, once an employee receives \$6,000 income, his after-tax paycheck suddenly increases (this happens on April 1 for a \$26,500 man, on November 1 for an \$8,000 man). Under the new proposal, the employee's after-tax paycheck would be unchanged the year round. The employer would note, as he does today, when the employer passes the \$6,600 mark, stops the social security tax but increases the employees withholding tax with the same amount.

The chief advantages of this method are simplicity, painlessness, and ease of understanding. The potential drawback of this method is the possibility of some underwithholding and overwithholding. Both conditions exist, of course, with any system of withholding. Under the Treasury's proposed graduated withholding tax rates, the dangers of overwithholding increase.

The continuation of the 4.2-percent deduction as additional withholding income tax would achieve most, if not all, the objectives the Treasury is seeking. Underwithholding would be minimized. Overwithholding would be also minimal. What overwithholding would happen, would necessarily happen in the last quarter (more likely the last month) of the year. A quick refund is available now and it could be accelerated.

The staff of the Internal Revenue Taxation Committee very kindly made extensive research into this plan. I am sure it is available to you from the committee.

Sincerely,

JOHN PARKANY,
Ph. D. (Economics), Columbia University.

UNITED FOUNDATION,
Detroit, Mich., February 14, 1966.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: It has come to our attention that your committee has under consideration at the present time certain proposals to increase certain excise tax rates which have been placed on a decreasing scale by the Excise Reduction Act of 1965.

You may recall that William H. Bulkeley, president, National Social Welfare Assembly, testified before the House Ways and Means Committee on this subject in July 1964 on behalf of some 40 national health and welfare voluntary organizations. We take this opportunity to endorse Mr. Bulkeley's recommendation urging an end to the discriminatory pattern of exemption from excise taxes under present law and the recommendation that all publicly supported organizations exempt from taxation as described in section 501(c)(3) of the Internal Revenue Code be exempted from the payment of retailers' and manufacturers' excise taxes and the tax on communication and transportation services.

We would suggest to you that this might be accomplished by a simple amendment providing any organization which falls into any of the definitional categories of section 170(b)(1)(A) of the Internal Revenue Code shall be exempt from all of the above-described excise taxes."

We urge you and your committee to include such an amendment, the result of which would effectively clean up what is now a statutory jungle.

Sincerely,

JAMES L. BLEAN,
Assistant Secretary-Treasurer.

UNITED COMMUNITY FUNDS AND COUNCILS OF AMERICA, INC.,
New York, N.Y., February 14, 1966.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate of the United States,
Washington, D.C.

DEAR SENATOR LONG: From time to time over the past 8 years our organization, in company with many other charitable groups, has sought the same exemption from excise taxes enjoyed by hospitals, private schools and colleges, the Red Cross and State and local government. When the Excise Reduction Act of 1965 was being written, we were told that since most of the excise taxes were being eliminated, an exemption was no longer necessary.

Now the President has asked for the restoration of the manufacturer's excise tax on automobiles and the tax on telephone communications. Indications are that the Ways and Means Committee will report favorably to the House on this proposal and that your committee will be asked to act speedily on the bill passed by the House.

Consequently, we take this means of requesting that there be incorporated in the text of the bill an exemption for all charitable and other organizations, contributions to which are deductible under section 170(b)(1)(A) of the Internal Revenue Code. This would eliminate the discriminatory treatment to which some charitable organizations have been subjected for many years and would be consistent with the action taken in the 1964 Revenue Act to accord uniform treatment to colleges, hospitals, publicly supported charitable organizations, churches, etc., under the Internal Revenue Code.

It may be that such an exemption will be contained in the bill as it is enacted by the House. If it is, we would hope the Senate Finance Committee would retain it in the text to be recommended to the Senate. If it is not, we would urge your committee to incorporate an amendment to this effect.

Sincerely yours,

LYMAN S. FORD,
Executive Director.

AMSTERDAM COMMUNITY CHEST, INC.
Amsterdam, N.Y., February 14, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: We understand that at the present time there are certain proposals before Congress to restore certain excise taxes which would affect public and private charitable organizations.

The present regulations seem to be unfair in that they qualify some nonprofit organizations for this exemption, but do not do it for others.

May we suggest that the proposed amendment be so worded as to provide that any organization that falls into any of the definitional categories of section 170(b)(1)(A) of the Internal Revenue Code shall be exempt from all of the above-described excise taxes.

This section 170(b)(1)(A), as you know, relates to the deductibility of contributions and describes in its various subparagraphs all the categories of organizations which qualify for the so-called 30-percent limitation as to contribution deductibility.

The simple expedient of incorporating this brief and uncomplicated amendment into the bill, which will increase the excise taxes on the purchase of automobiles and the use of telephones, would accomplish a much desired end for charitable organizations such as the Community Chest and United Fund.

Respectfully yours,

WILLIAM A. WILDE, Jr., President.

UNITED CRUSADE, SACRAMENTO AREA,
Sacramento, Calif., February 11, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

SIR: We understand the House Ways and Means Committee is now studying proposals which could reverse the intent of the Excise Reduction Act of 1965 and that excise tax rates on such things as automobiles and telephone communications might be increased, rather than decreased.

This renews the concern of the local and national voluntary health and welfare organizations about the inconsistencies and discriminatory exemptions involved in the excise tax program.

If it seems to be necessary to increase excise taxes, may we urge your committee to eliminate some of the inconsistencies by adopting section 170(b) (1) (A) of the Internal Revenue Code as the definition of "exempt organizations."

It is our understanding such a redefinition would result in very minor revenue losses.

Very truly yours,

RICHARD W. HELDRIDGE, *President.*

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N.Y., February 23, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

MY DEAR MR. CHAIRMAN: The National Association of Manufacturers wishes to again state its view that selective excise taxes to raise general revenue are discriminatory and should be eliminated from the Federal tax system. We were especially gratified that the Congress, in enacting the Excise Tax Reduction Act of 1965, provided for the elimination of practically all existing excise taxes except those earmarked for special purposes and the so-called sumptuary taxes.

Our current concern is the part of H.R. 12752, the Tax Adjustment Act of 1966, now before the Committee on Finance, which would temporarily reimpose auto and telephone excise tax reductions which took effect on January 1, 1966, and place a moratorium on further reductions until April 1968. We, of course, are not in a position to refute or contest the reasons advanced for this action. However, we do wish to express our support for the provisions of H.R. 12752, under which the auto and telephone rates would revert in April 1968 to the levels provided in the 1965 act for January 1968 and thereafter be reduced as scheduled in that act. We urge your retention of these provisions.

We respectfully ask that this letter be made part of the record of your committee's hearings.

Sincerely,

W. P. GULLANDER.

AMERICAN HOSPITAL ASSOCIATION,
WASHINGTON SERVICE BUREAU,
Washington, D.C., February 25, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: Your committee has before it H.R. 12752, the Tax Adjustment Act of 1966, which was passed by the House of Representatives on February 23, 1966. On behalf of the American Hospital Association, whose members number about 90 percent of the Nation's hospitals, I should like to

call your attention to section 202(b) of the bill. It provides an exemption from the excise tax on telephone and teletypewriter services furnished to voluntary nonprofit hospitals. We urge you to act favorably on this much needed exemption. The following comments are intended to explain the imperative nature of the measure.

The costs of operating hospitals must be borne by the patients, purchasers of hospital insurance, subscribers to hospital prepayment plans, Government agencies, charitable donors, or whoever actually pays for the patients' hospitalization. In the case of excise taxes on telephone services, we estimate that at the 10-percent level the voluntary nonprofit hospitals of this country which have been subject to the tax would be paying out about \$6 million per year; at the 3-percent rate now in effect, these hospitals would expend about \$1.8 million a year. At either level of tax, the burden has been hard to justify because it falls primarily upon sick people whose costs of illness are already extremely high.

Your committee labored long and well to produce Public Law 89-97. Under this legislation, commencing July 1, 1966, the Federal Government will be assuming most of the hospital costs of the aged and, as a consequence, will be paying an estimated 25 percent of the hospital bills in non-Federal short-term hospitals. It is in the best interests of the Federal Government to avoid any unnecessary strain upon the hospital insurance trust fund created by Public Law 89-97. Certainly, the excise tax upon hospital telephone service provides no benefits to the patient. To tax hospitals in this way increases the cost of hospital care as well as the financial demands upon the many Government programs which purchase hospital care for their beneficiaries—all without contributing anything to improve the care of any patients.

We must point out that governmental hospitals, whether Federal, State or local, already enjoy a statutory exemption from the obligation to pay excise taxes on telephone service. There is, of course, no discernible difference to the patient as between governmental and nongovernmental nonprofit hospitals. It is patently unfair to tax one kind of hospital and not the other since the burden falls upon the innocent patients whose physicians have chosen to place them in nongovernmental hospitals. The solution is to exempt all nonprofit hospitals from excise tax burdens. This is the intent of section 202(b) of the Tax Adjustment Act of 1966 (H.R. 12752), as approved by the House, relative to the telephone taxes.

For some years now the excise tax statutes have contained an exemption for nonprofit educational institutions. Although many voluntary nonprofit hospitals conduct extensive educational programs, they generally have not qualified as educational institutions for purposes of enjoying the exemption from payment of certain excise taxes. Here, again, there has been a discrimination against hospitals which is impossible to justify. After all, hospitalized patients are as much in need of keeping down the cost of their care as students in private nonprofit education institutions are in need of restraints on the rise of their tuition rates.

The amount of money at issue in the telephone tax matter is a few million dollars a year. To the hospitals and their patients this is a significant sum, but to the Treasury it is not. We suggest that the Treasury, in the national interest, would do well to abandon this oppressive and troublesome tax in order to provide some small relief to the financially strained patients being cared for in the Nation's voluntary nonprofit hospitals.

For the foregoing reasons the American Hospital Association respectfully requests that the specific exemption granted to voluntary nonprofit hospitals in section 202(b) of H.R. 12752 be approved by the Senate Finance Committee. Hospitals had been willing to endure the current 3-percent rate on telephone service in the knowledge that within less than 3 years it would be reduced to zero. With a threatened restoration of the 10-percent tax, however, we must reemphasize our plea that excise taxes upon goods and services purchased by nonprofit hospitals are completely unjustified under any rational theory.

We would like this letter to be included as a part of the record hearings on H.R. 12752.

Sincerely yours,

KENNETH WILLIAMSON,
Associate Director.

CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY,
Chicago, Ill., February 28, 1966.

HON. RUSSELL B. LONG,
*Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: Because of the current need for revenue for defense purposes, the Chicago Association of Commerce and Industry does not oppose the enactment of H.R. 12752—the Tax Adjustment Act of 1966.

The association members believe most strongly, however, that while defense requirements remain at the current high level, there must be a substantial curtailment of nonessential expenditures. They also believe that any tax increase must be temporary in nature and must be based solely on defense requirements.

Respectfully submitted.

WALKER WINTER,
Vice President, Government Affairs Division.

AMERICAN TELEPHONE & TELEGRAPH CO.,
New York, N.Y., February 25, 1966.

HON. RUSSELL B. LONG,
*Chairman, Senate Finance Committee,
Washington, D.C.*

MY DEAR MR. LONG: This statement is respectfully submitted on behalf of the telephone companies of the Bell System to express our regret that an increase in the excise tax on local and long-distance telephone and teletypewriter services is under consideration by the Congress.

The proposed increase in the telephone excise tax contained in the Tax Adjustment Act of 1966 (H.R. 12752) will again postpone the direct benefits of the recently enacted tax reduction which the 45 million residential and business customers of the Bell System have waited so long to receive. We fully recognize the country's need for additional revenues during the Vietnam emergency, but there will be keen disappointment among our customers that reimposing the full 10-percent tax on telephone service has been chosen as a means of obtaining a substantial portion of these revenues.

If excise taxes on telephone service are to be increased in the present emergency, we earnestly request that the emergency and temporary nature of the increase be made clear in the committee reports accompanying the legislative proposal. The bill as passed by the House of Representatives would provide for a reduction of the proposed 10-percent rate to 1 percent for the 9 months of 1968, and for complete elimination by 1969. If the 10-percent rate is reinstituted, we strongly urge that the tax on telephone service be entirely repealed effective April 1, 1968, inasmuch as the revenue effect would be relatively minor and such action would eliminate the cost of billing, collecting and remitting the tax. If additional revenues are still needed beyond that date, a solution other than continuing a discriminatory tax on telephone service should be found.

We have previously testified before your committee and before the Ways and Means Committee on a number of occasions urging the repeal of the telephone excise tax. The principal reasons we submitted in support of the repeal were: (1) The impact of the tax is heaviest on lower income groups, (2) the tax is levied on a necessity, (3) telephone service is the only household utility service on which Federal excise tax is still imposed, (4) the tax adds to an already heavy tax burden carried by users of telephone service and (5) it has been emphatically indicated that the public generally regards this tax as unfair and discriminatory, especially as it applies to a service that is an essential, not a luxury. These reasons are equally applicable today.

We earnestly hope that whatever action is taken, your committee will give full recognition to the discriminatory nature of this undesirable tax.

Sincerely yours,

A. L. STOTT,
Vice President and Comptroller,

STATEMENT BY E. S. HALL, PH. B., B.S. (M.E.), ECONOMIST, RESEARCH ENGINEER,
PATENT ATTORNEY, FREEDOM, INC., FARMINGTON, CONN.

I agree on the need for more revenue, but believe there's a better way to get it—a tax way out of inflation and Vietnam to price stability and peace.

1. Communists, brainwashed by Karl Marx, fanatically believe it is their mission to liberate nations from capitalism and socialize the world. Neither months nor years nor decades of killing Communists in Vietnam can convince them they are wrong, but a right idea could. As Victor Hugo put it, "No army is as powerful as an idea whose time has come."

2. Government spending has given us 5 years of prosperity, but (referring to the following equation) when deficit spending raises the numerator, dollars,

$$\frac{\text{number of dollars spent}}{\text{number of units of commodities paid for}} = \text{average price of commodities}$$

faster than business raises the denominator, commodities, the ratio, price rises. This price rise is commonly called inflation. More precisely, inflation is the increase in the quantity of money and credit (relative to the quantity of available goods) which causes the price rise. Inflation weakens the dollar, robs us of purchasing power, causes strikes for higher wages, hurts our competitive position in world markets and our balance of payments. Inflation is "the cruelest tax"; it taxes unmercifully the millions on fixed incomes: pensions, compensation, insurance and social security benefits, etc.

3. Inflation doesn't just happen; it's a crime committed on the theory it is the way to avoid recession and extend prosperity (but it's not the only way). Government commits this crime (inflation by deficit spending) because our income tax law, the Internal Revenue Code of 1954 as amended, is inadequate. Thousands of pages—yet it cannot even raise enough revenue to keep up with spending and prevent inflation. Preposterous. We need a new tax code.

4. All the inequities and complexities of the Internal Revenue Code grow from two unsound roots: (1) indirect taxation, the attempt to tax business; and (2) "progressive" taxation, the attempt to soak the capitalists and benefit the workers. A direct and proportional (flat percentage) income tax law can be equitable and simple, but it is not yet politically possible. As long as employees are independent contractors not receiving their parts of profit or loss, they will vote for Congressmen who support double taxes on profits and the progressive income tax.

5. Employees are part of the business. As free people, they own themselves. They own part of the business, the human part. Why not recognize the fact by making them limited partners? When employers and employees are limited partners receiving their respective parts of profit or loss, they will work together to increase profit and prevent loss. No strikes.

And a simple proportional income tax law will be politically desirable, a real vote-getter, the freedom tax law for example, a law that will—

(1) Let employers elect to withhold a simple tax on profits, salaries, and wages (instead of the complex taxes of the Internal Revenue Code of 1954 as amended). Comparisons made from annual reports show that, in a profitable business, everyone concerned will get a tax cut, a take-home raise.

(2) Let the needy elect to change from partial to total security.

(3) Taxing the broadest tax base (national income) insures lowest rate, 20 percent collecting \$110 billion. Adjust the rate currently as an automatic governor on the price level. Free-market price stability.

6. An example of industrial peace and price stability in the United States will expose Karl Marx as a quack. Communists and other Socialists will be left without a mission. Their ideology will collapse. The war in Vietnam—all "wars of liberation"—will cease. We can lead the world toward peace.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
February 11, 1966.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Please find enclosed what appears to be a well-reasoned critique of the workability and practicality of the proposed income tax withholding formula, by Mr. Howard W. Anderson, executive secretary-treasurer of United Food Markets, Inc.

I would hope that the questions Mr. Anderson raises receive serious consideration when the committee deliberates on the advisability of amending and/or enacting this legislation.

Yours sincerely,

B. B. HICKENLOOPER.

UNITED FOOD MARKETS, INC.,
Des Moines, Iowa, January 24, 1966.

Hon. Senator BOURKE HICKENLOOPER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I have always heard that elected Members of the House and Senate appreciate receiving thoughtful, constructively critical letters from their constituents. This will be an attempt at such a type of letter.

In studying the transcript of Treasury Secretary Fowler's tax program, stemming from President Johnson's state of the Union address, we are greatly concerned with the type of income tax withholding formula which is proposed. It appears to be unworkable.

In September of 1961, our company came under the provisions of the Federal wage and hour law for the first time. Up until that time, we had paid our store employees by cash, at the store, and were only involved with postings to employees earnings records at company headquarters. After that date, we knew we would need to initiate payroll at headquarters, as we were now involved with adequate recordkeeping, regular hours, overtime hours, etc.

To do payroll centrally, we purchased a National Cash Register "Computronic" accounting machine, at a cost of \$15,000. It is no small undertaking to comply with all requirements demanded of us relative to income tax withholding, social security deductions (with ceilings involved), employee benefit deductions, United Campaign deductions and U.S. Savings Bond deductions, and do all this accurately and still mail payroll checks promptly to all employees. Two additional yearend functions are also involved; that of reconciling income tax withholding per W-2's for all individuals with the W-3 form, and mailing correct W-2's to all employees by January 30.

In addition to this, we are required to calculate weekly regular hours, overtime hours, regular earnings and overtime earnings, and record all this in such form as will satisfy the Labor Department for the purpose of their periodic audits.

After using the NCR "Computronic" for only 2½ years, we replaced it with a National Cash Register "395" accounting machine. It replaced some mechanical speeds of the "Computronic" with electronic speeds, and gave us additional "memory" capacity.

One factor leading us to the decision to purchase the "395" was the belief that the State of Iowa would enact a withholding of income tax law for State purposes. The last Iowa Legislature did enact such a law and we have just reprogrammed the "395" to take care of this. The "395" had the capacity to handle the additional job and is performing quite satisfactorily. The "395" was purchased at a cost of \$26,325.

The formulas as promulgated by the State Tax Commission gave us problems in reprogramming, but they were at least solvable.

I have serious doubts that the formulas as offered by Treasury Secretary Fowler are adaptable to an NCR 395; \$26,325 is about at the upper limits of what our company can afford to pay for accounting machine equipment. Cost of investment is not the key issue, however. The key issue is this: Business must be furnished with a method of accelerating income tax withholding from individuals that is workable. Business has always been willing to try to comply with legislation involving it. We are willing to try in this instance. But the formulas are ridiculous.

Our "395" is equipped with a card reader that "reads" the fixed data of an employee. It "reads" that an employee has five exemptions; it knows that each exemption is worth \$13, to be subtracted from gross wages; it makes this computation electronically and then multiplies that figure by 14 percent, and withholding is calculated correctly.

Fowler's table A for single people, and table B for married people, is a programmer's nightmare. It would not appear that our card reader would have enough columns (the limitation is 80 columns) to enable us to enter all necessary fixed data, nor the proper internal capacity to make all the indicated calculations.

I am not an expert. However, the manufacturers of computer and accounting machines are experts. They should be asked to appear at your hearings to testify as to whether or not the task is possible.

The executive branch of government evidently does not care. The legislative branch of government must care. Congress must satisfy itself that companies all over the land can do the task that is to be handed to them.

We read that this legislation is to be passed by March 15, and in effect on May 1. If our equipment will not handle it, we would not be able to receive delivery of a more sophisticated piece of equipment for over a year, if we ordered it today, and if we could find a piece of equipment within our financial capability that would handle it at all.

The Nation's workers are to be on pay-as-you-go. The budget of the worker's Government does not have to meet this lofty goal, however. The Government can have guns and butter, but at the price of a deficit, and with the smokescreen to be furnished by accelerated withholding to reduce the apparent size of the deficit, and by a method that will create chaos in the office of any employer who prepares a payroll.

We could do this job, manually. To revert to a manual method in this day and age would be absurd. It would require more clerical help and our people would receive their paychecks at least 2 days later than presently.

Wage earners in the State of Iowa, in paying higher social security taxes, in paying 2 years' Iowa income tax in 1 year and now to have Federal income tax be collected on an accelerated basis will have been pretty well thumped. The President has also reserved to himself the right to ask Congress for increased rates for Federal income tax.

Companies with accounting machines less sophisticated than ours have an even greater problem in seeking a solution for payroll preparation.

We will be willing to cooperate with Government in collecting income taxes on an accelerated basis, but we are making this urgent appeal to the legislative branch to cause the Treasury Department to rewrite the formula in some workable manner, that will be adaptable to our high cost equipment.

If the term "in excess of \$200, etc." could be eliminated from the formula, it would be helpful. If the wage earner brackets could be based on gross wages, it would be helpful.

Sincerely yours,

HOWARD W. ANDERSON,
Executive Secretary-Treasurer.

SUMMARY OF ATTACHED STATEMENT OF NATIONAL AUTOMOBILE DEALERS ASSOCIATION

I. H.R. 12752, as passed by the House, would temporarily increase the automobile excise tax from 6 to 7 percent until March 31, 1968, at which time it would be reduced from 7 to 2 percent—a reduction at one fell swoop of 5 percentage points. The tax would be further reduced to 1 percent on January 1, 1969. Additionally, a 1-percent floor stock tax would be imposed on automobile dealers covering all new cars in their inventories on the effective date of the legislation.

II. The National Automobile Dealers Association opposes the 1-percent increase in the automobile excise tax. It is a regressive, discriminatory tax constituting a substantial burden on low-income purchasers of essential transportation while high-income purchasers of luxury items bear no tax burden at all. It is inequitable to single out the most tax-burdened product in our national economy for an increase in tax when most other articles carry no tax whatsoever.

III. NADA also opposes the proposed reduction of the auto excise tax from 7 to 2 percent on April 1, 1968. A too sharp reduction in the excise tax at one time would have the effect of discouraging purchases of automobiles during the interval preceding the reduction date. Additionally, it would produce severe dislocations in the used car market.

IV. The proposed 1-percent floor stock tax is opposed for the following reasons:

1. Congress has never, since the first auto excise tax in 1917, imposed a floor stock tax on automobiles. To do so now would set an unwarranted precedent for similar action if the tax is increased again in the future.

2. The tax must be paid by the dealer himself regardless of whether he can pass it on to the car purchaser. Since this tax will not be shown on the label, it will be difficult to collect it from the purchaser and the dealer should not be expected to absorb the increase himself.

3. This inventory tax will burden the dealer with expensive and time-consuming recordkeeping and compliance problems. To add this burden to the already excessive amount of paperwork required of dealers by Federal, State and local governments and manufacturers, will compound an already difficult situation, particularly for small dealers.

4. The mechanics and timing involved in computing the increased tax on units in inventory on the effective date of the proposed tax increase will create difficult problems for dealers.

RECOMMENDATION

1. The National Automobile Dealers Association urges the Senate Finance Committee to strike the 1-percent increase in the auto excise tax from H.R. 12752. Such action would, of course, resolve the problems that would be created by the 1-percent floor stock tax.

2. The association also urges the committee to amend H.R. 12752 by phasing out the tax so that it will not be reduced at any one time by more than 2 percentage points.

3. If the committee, in view of the pressing need for revenues, decides to retain the 1-percent increase in the automobile excise tax, NADA urges the elimination from H.R. 12752 of the floor stock tax on dealers.

STATEMENT SUBMITTED BY THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION

The National Automobile Dealers Association welcomes the opportunity to register with this committee its reasons for opposing those portions of the administration's 1966 tax program which propose an increase in the automotive excise tax from 6 to 7 percent for a period of 2 years as well as the imposition of a floor stock tax of 1 percent on automobile dealers covering all new automobiles in their inventory on the effective date of the proposed change in the rate of tax. As passed by the House on February 23, H.R. 12752, the Tax Adjustment Act of 1966, contains both of these recommendations of the administration.

The NADA is a national trade organization comprising nearly 22,000 franchised new car and truck dealers engaged in selling and servicing new cars and trucks of all makes, domestic and imported, in all 50 States.

Organized in 1917 to represent new car and truck dealers, NADA has long opposed discriminatory tax on automobiles. Since the imposition of a 3-percent excise tax in October 1917, and through all of its 50-year history, NADA has sought to remove the excise tax from one of the most heavily tax-burdened products in our national economy—the essential family car.

This struggle culminated in a partial victory with the passage last year of the Excise Tax Reduction Act of 1965 which provided for a gradual phaseout, over a 5-year period, of all but 1 percent of the 10 percent automotive excise tax. Our industry was relieved to see the Congress reduce this tax even though other industries fared far better. By comparison, the full 10-percent retailers' excise taxes on jewelry, furs, toilet preparations, and luggage were repealed completely in 1965 as were most of the manufacturers' excise taxes and taxes on facilities and services.

H.R. 12752, as passed by the House, would temporarily increase the automobile excise tax from its present rate of 6 to 7 percent until March 31, 1968, at which time it would be reduced from 7 to 2 percent—a reduction at one fell swoop of 5 percentage points. The tax would be further reduced to 1 percent on January 1, 1969. In addition, for the first time in the long history of the excise tax on automobiles, the bill imposes a 1-percent floor stock tax on automobile dealers covering all new cars in their inventories on the effective date of the legislation.

This association is impelled to express, on behalf of its members and their customers, the car-buying public, its vehement opposition to both the increase in the automobile excise tax and the imposition of a floor stock tax on our dealers, as provided in H.R. 12752.

At the outset, we wish to make it crystal clear that the members of our association, as loyal Americans, fully recognize the exigencies of the emergency situation presently confronting our country which require increased Federal revenues for our Government to meet its commitments in this difficult period of our Nation's history.

Our quarrel is not with the question of the need for additional Federal revenues. Rather, it is concerned with the source from which and the method by which the bill would raise some of these revenues—specifically, the increase by 1 percent of the automotive excise tax for a 2-year period and the imposition of a floor stock tax on automobiles in dealers' inventories when the proposed 7-percent rate becomes effective. Our reasons for opposing these two provisions of H.R. 12752 are set forth below.

I. THE AUTOMOBILE EXCISE TAX INCREASE

It is discriminatory and inequitable to single out an essential commodity for an increase in tax while ignoring luxury items as an alternative source of needed revenues.

With the exception of the proposed restoration of the excise tax on telephone service, only one other industry has been tapped to carry the burden of our increased national defense effort. Other than the purchase of a home, the purchase of a car represents the biggest single investment by the average taxpayer. Thus, the amount of excise tax on the present purchase of an automobile—averaging approximately \$138 on a new vehicle at a tax rate of 6 percent—is a significant cost factor to all new car purchasers. It is a particularly serious financial consideration to the 2½ million new car purchasers each year with incomes of less than \$7,500 per year, for most of whom a car is a necessity, not a luxury. As to them, the evils of a highly regressive tax will be compounded if the tax rate is increased from 6 to 7 percent—a jump of approximately \$23 in tax.

H.R. 12752 compounds the discrimination and inequity which presently exist in the excise tax treatment of automobiles vis-a-vis other articles, particularly those in the luxury category, which bear no tax whatsoever. As noted above, the 10-percent retailers' excise tax on jewelry and furs was completely eliminated last year, and the manufacturers' excise tax on such luxury items as hi-fi and color television sets, musical instruments, sporting goods, photographic equipment, and other articles has been terminated.

Yet the automobile—a far more essential product than most of those enumerated above—was granted only a 3-percent reduction from the 10-percent tax last year and of the remaining 7-percent tax, 6 percent was scheduled for reduction in gradual stages through 1968, with permanent retention of the final 1 percent on January 1, 1969.

If equity and fairness are valid criteria in evaluating the Federal excise tax structure, candor compels us to state that we can find little equity and less fairness in the proposition that only the purchasers of automobiles and the users of telephones should be subjected to increased taxes to help the Government meet its financial needs, while no sacrifice whatever is asked of purchasers of either luxury items or of other far less essential articles than the automobile or the telephone.

The fact that the automobile excise tax is a large revenue producer and is collected with a minimum of administrative effort on the part of the Government is a patently flimsy basis on which to justify the selection of the automobile for further discriminatory tax treatment. To do so violates every maxim of equality of tax treatment and of fairplay in the levy and collection of taxes.

II. REDUCTION OF AUTO EXCISE TAX FROM 7 TO 2 PERCENT IN 1968

H.R. 12752 provides for the restoration of the 7-percent automobile excise tax rate for a 2-year period beginning the day after the date of enactment and ending on March 31, 1968. The rate will then drop to 2 percent on April 1, 1968, and to 1 percent on January 1, 1969. Under the provisions of the Excise Tax Reduction Act of 1965, the rate was reduced from 7 to 6 percent on January 1, 1966, and is scheduled to drop to 4 percent on January 1, 1967; to 2 percent on January 1, 1968; and to the permanent level of 1 percent on January 1, 1969.

In its report on H.R. 12752, the House Ways and Means Committee explained that the bill provides a 2-year moratorium on these tax reductions scheduled under present law, at the end of which period, the rate will revert to the level which would have been in effect in the absence of the moratorium.

This time schedule is a considerable improvement over the administration's recommendation which would have delayed the entire schedule of reductions until 1968. Nevertheless, the reduction on April 1, 1968, of 5 percentage points in the automobile excise tax presents serious problems to the automobile industry.

Too steep a reduction in the excise tax at one time would have the effect of discouraging purchases of automobiles during the period preceding the reduction date. Additionally, it would produce severe dislocations in the used car market. Both this committee and the Ways and Means Committee recognized this fact in their consideration last year of H.R. 8371, the Excise Tax Reduction Act of 1965. In its report on that bill, the latter committee pointed out:

"* * * there are problems in the passenger car industry making undesirable too large a decrease in the tax as of any one time. The prices of new cars have an important bearing, for example, on the prices of used cars in the hands of dealers and owners. A too sharp reduction in the 10-percent manufacturers' excise on new automobiles might, therefore, produce severe dislocations in the used car market. Additionally, any substantial rate reduction scheduled any appreciable time in advance could be expected to have the effect of discouraging purchases in the interval before the reduction takes place * * *." (H. Rept. No. 433, p. 18.)

For the same reasons, NADA is opposed to the reduction of the tax from 7 to 2 percent on April 1, 1968, as provided in H.R. 12752. We would urge your committee to amend the bill by phasing out the tax so that it will not be reduced at any one time by more than 2 percentage points.

III. THE FLOOR STOCK TAX OF 1 PERCENT

H.R. 12752 imposes a floor stock tax of 1 percent of the manufacturer's or importer's price on all new automobiles held in inventory by dealers or distributors on the day when the 7-percent tax rate becomes effective. This tax is to be paid by the dealer and is to be collected from him by the manufacturer or importer.

NADA must register its strenuous objection to this provision of the bill which would have a serious adverse impact on every member of our association. In short, it would pose innumerable problems for dealers and would saddle them with expensive and time-consuming administrative and compliance burdens which they should not be expected to bear.

It should be emphasized that Congress has never, since the first automobile excise tax was written into law in 1917, imposed a floor stock tax on automobiles. In that connection, a little bit of history is informative. The tax was increased from 3 to 5 percent in 1919. After its repeal in 1928, it was reimposed at 3 percent in 1932, increased to 3½ percent in 1940 and raised to the permanent rate of 7 percent in 1941. A "temporary" 3-percent increase took place in 1951 and was continued from year to year by successive Excise Tax Extension Acts. In all this period of time, not once did Congress see fit to impose a floor stock tax on the automobile, even though in 1956 a floor stock tax was imposed on trucks, truck trailers, buses, and other articles (sec. 4226, Internal Revenue Code of 1954).

For Congress to now impose a floor stock tax would set an unwarranted precedent for similar action if the automobile excise tax were to be increased again in the future—a possibility that can hardly be said to be far fetched in the light of both the past history of the automobile excise tax and the present specious arguments advanced by the administration to support its case for a "temporary" increase in the tax this year.

It should also be noted that the floor stock tax must be paid by the dealer regardless of whether he can pass it on to the car purchaser. Since this tax will not be reflected on the car label, it will be difficult to explain it and to collect it from the purchaser. Certainly, the dealer should not be expected to absorb the increase himself and he cannot, in fact, afford to do so.

The retail passenger automobile business is an intensively competitive trading business and our recent experience under the Excise Tax Reduction Act of 1965 indicates conclusively that a dealer cannot fail to pass along tax reductions to the consumer if he is to be competitive. Dealers also know from long experience that they cannot pass along to and collect from the customer charges not reflected on the price label placed on each passenger car by the manufacturer in compliance with Public Law 85-506, the "Automobile Information Disclosure Act." This means that the 1-percent floor stock tax would have to be wholly, or in great part, absorbed by dealers who are not financially able to assume this burden.

It is true that the automotive industry has had several extremely good years, back to back. It is also true that the major automotive manufacturers are all

reporting recordbreaking sales and after-tax profits. But the profit picture of the retail automobile merchant is not nearly as rosy and the figures set out below clearly indicate that he has not enjoyed anywhere near the same prosperity, despite recordbreaking sales, as the manufacturers. By way of illustration, the industry average on dealer profits on sales, before taxes (Federal, State, and local), was 2.2 percent for 1962; 1.9 percent for 1963; 1.8 percent for 1964; and 2.1 percent for 1965. We emphasize that these are pretax figures. We also emphasize that for 1965, the best sales year the industry has ever had, some 12 percent of the dealers showed an operating loss. This is twice the number showing such a loss for 1964.

H.R. 12752 provides that the floor stock tax is to be paid by the dealer on a date not earlier than 60 days after the date of enactment as indicated in regulations prescribed by the Secretary of the Treasury or his delegate.

Even assuming that the floor stock tax can be collected from car purchasers, to the extent that dealers are unable to sell those units in their inventory on the effective date of the tax increase within the period designated by the regulations for payment of the floor stock tax, they must tie up sorely needed operating capital in prepaid excise taxes. This is not an insignificant consideration. At the end of January of this year, of the 1,394,000 units then in dealer inventory, NADA's research department estimates that approximately 3 percent of these units were 1965 models produced before August of last year.

A further indication of the burdens imposed on automobile dealers, if the floor stock provision becomes law, is the fact that, of NADA's membership of nearly 22,000 franchised car dealers, our research department has found that 16.5 percent of the dealers employ 1 to 3 persons, 20 percent have 4 to 7 employees, and 36.4 percent have 8 to 19 employees. Generally speaking, about 11 percent of dealership employees are engaged in clerical and office work. It is obvious, therefore, that in the smaller dealerships, the burden of computing, collecting, filing, and paying the floor stock tax will almost certainly fall upon the dealer himself. To add these problems to the already excessive amount of bookwork required of such dealers by the nature of the sales transaction of the automobile, the paperwork requirements imposed by his manufacturer, as well as the recordkeeping demanded by State and Federal Governments, is without question compounding an already difficult workload situation for these small, independent merchants.

The mechanics and timing involved in computing the increased tax on units in inventory on the effective date of the proposed tax increase will create additional difficulties for the dealer. In its report on the bill, the Ways and Means Committee explains the procedural application of the floor stock tax in the following language:

* * * A tax of 1 percent of the manufacturer's (or importer's) price is imposed upon all new automobiles held in stock by dealers or distributors on the day when the 7-percent-tax rate becomes effective. The tax is to be paid by the dealer and is to be collected from the dealer by the manufacturer (or importer). The Secretary of the Treasury will prescribe regulations which will instruct the dealer to prepare for the manufacturer (or importer) a list of the cars in his inventory on the day when the 7-percent tax becomes effective together with any other information needed for the manufacturer (or importer) to determine the sales price. The manufacturer (or importer) then will prepare a bill for the dealer on which he itemizes the floor-stock tax upon each of these automobiles. The dealer then is to pay this tax to the manufacturer (or importer) who transmits it to the Government. If a dealer refuses to submit either the information or the tax to the manufacturer (or importer), no liability for the tax attaches to the manufacturer if he informs the Internal Revenue Service of the failure. In addition, the manufacturer (or importer) is to provide the dealer with information the dealer can use to show the customer a close approximation of the floor-stock tax on each car. This is to be made available on, or shortly after, the date the floor-stock tax applies. The Treasury Department may authorize the use of averages in any of the above computations to the same extent as already has been done in the case of the floor-stock refunds. The floor-stock tax of 1 percent will be paid on a date not earlier than 60 days after the date of enactment as indicated in regulations prescribed by the Secretary or his delegate * * * (H. Rept. No. 1285, pp. 30 and 31.)

It is immediately evident that this procedure does not answer the basic problem confronting the dealer; namely, computing and explaining the additional 1-percent tax to those who purchase cars in the interval between the effective date of the tax increase and the time the dealer receives from his manufacturer

the itemization of the floor-stock tax on each of the automobiles in inventory on the effective date. It may well be a lengthy period of time before the manufacturer can furnish each dealer with this information. Nor does the additional information to be provided by the manufacturer to the dealer, which is to be used "to show the customer a close approximation of the floor-stock tax on each car," solve this problem unless received by the dealer before the date the floor-stock tax becomes effective. What information is to be provided the dealer by the manufacturer is left unanswered.

It is beyond the scope of this brief presentation to point out other problems which readily come to mind in the interpretation and application of the floor-stock tax as explained in the above-quoted language of the committee's report. Suffice it to say, however, that many technical problems will exist.

It is earnestly submitted that a floor-stock tax generating a relatively small amount of revenue to the Federal Government—roughly \$25 million on a new-car inventory of 1 million units—has no justifiable basis when balanced against the heavy expenditure of time and money by, and the inconvenience to, both automobile dealers and their manufacturers who are charged with the administrative burdens of this unwarranted tax, thus making them, in effect, salary-less employees of the Treasury Department.

The discrimination and inequity so evident in the proposed 1-percent increase in the excise tax on the most tax-burdened product in our national economy is difficult to swallow. The addition of a floor-stock tax provision to H.R. 12752 makes it impossible for our members to swallow this bill, and we wish to record with this committee our vehement opposition to H.R. 12752, as passed by the House. We earnestly solicit your support in rejecting each of these provisions.

If, however, your committee concludes that it must, in view of the pressing revenue needs of the Government, legislate a 1-percent increase in the automobile excise tax, we urge you to reject the floor-stock tax provision of H.R. 12752 in fairness to the small businessmen who would bear the brunt of this unprecedented and unwarranted tax.

[DEALER COPY]

Charge to: _____.

Dealer order No. —.

Ship to (if different from above) _____.

Make: Oldsmobile.

Final assembly point: Lansing, Mich.

Vehicle identification No.:—.

Model: Cutlass Supreme_____ \$2, 846. 00

Destination charge_____ 68. 75

Subtotal_____ 2, 914. 75

Factory-installed options and accessories:

M33 Jetaway variable vane transmission_____ 205. 37

N40 Roto-matic power steering_____ 94. 79

D31 Glareproof rearview mirror_____ 4. 43

Y60 Visor vanity mirror_____ 1. 69

Luggage compartment lamp_____ 1. 68

Glove box lamp_____ 2. 95

U63 Deluxe radio_____ 64. 25

P26 Standard-size whitewall tires_____ 31. 60

P01 wheel discs_____ 16. 85

B32 Auxiliary front floor mats_____ 6. 77

A02 Soft-ray tinted windshield_____ 19. 49

A39 Deluxe front and rear seat belts—includes retracting_____ 14. 74

The following items, options or accessories on some other models, are standard equipment on this model vehicle: A65 custom sport seat, B30 wall-to-wall floor carpeting, B50 foam-padded front seat cushion, B52 foam-padded rear seat cushion, B80 chrome roof drip moldings, N30 deluxe steering wheel, O28 ash tray lamp, Y67 deluxe interior equipment.

Total options and accessories_____ 464. 61

Total_____ ¹3, 379. 36

¹ Based on reduced excise tax rate effective June 22, 1965.

OLDSMOBILE DIVISION, GENERAL MOTORS CORP., LANSING, MICH.

Cutlass Supreme:

Suggested retail price	\$2,846.00
Dealer billing price	2,154.60
E.O.H. (7.24 percent)	156.00

Code	Accessories, options, and extras	Suggested retail price	Dealer price	E.O.H.
A02	Tinted windshield	\$19.49	\$14.10	\$0.99
B32	Partial floor mats	6.77	3.90	.27
M33	Jetaway transmission	205.37	148.20	10.37
P01	Wheel discs	16.85	12.20	.85
U63	Deluxe radio	64.25	46.40	13.25
A39	Deluxe seat belts	14.74	10.60	.74
D31	Tilt mirror	4.43	2.60	.18
N40	Power steering	94.79	68.40	4.79
P26	Standard whiteside wall tires	31.60	22.80	1.60
Y60	Accessory Package	6.32	4.50	1.32

¹ 7 percent.

Suggested retail price	\$3,379.36
Hold back	53.20
Total car and accessories, options, and equipment	2,488.30
Total, E.O.H. amount	179.36
Destination amount	68.75
Invoice amount	2,736.41

Date shipped, October 18, 1965; date of note, October 25, 1965; date of execution, October 18, 1965.

CAR INVOICE, DEALER'S COPY

Sold to General Motors Acceptance Corp. (grantee).

Shipped to dealer and destination shown above.

Terms: No cash, promissory note, copy attached, payable at the office of General Motors Acceptance Corp., designated below.

Notice to consignee (important).—When accepting delivery of this shipment be sure to examine car carefully and have shortage or damage noted on your delivery receipt to carrier; also be sure to secure seal record on all doors (side and end) on rail shipments. We cannot assume responsibility for loss or damage to cars in transit, unless notation of shortage or damage is noted when accepting delivery.

Instructions to dealers.—Fill in the wholesale release order on the reverse side of your promissory note copy and attach it to your remittance when releasing car from trust. Amount due on car is shown above, to which amount must be added the applicable flat charge and interest. Interest accrues from the interest date indicated above to date of payment. To release car for demonstration, follow instructions shown in the current GMAC demonstration agreement.

"We hereby certify that these goods were produced in compliance with all applicable requirements of sections 6, 7, and 12 of the Fair Labor Standards Act, as amended, and of regulations and orders of the U.S. Department of Labor issued under section 14 thereof."

MACHINERY & ALLIED PRODUCTS INSTITUTE,
Washington, D.C., February 28, 1966.

Re Tax Adjustment Act of 1966.

Hon. RUSSELL B. LONG,

Chairman, Committee on Finance, U.S. Senate, New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: In connection with current public hearings, we welcome this opportunity to present for the record our views on one aspect of the tax program outlined by President Johnson in his state of the Union message and included in H.R. 12752 as passed by the House. As you know, the Machinery & Allied Products Institute and its affiliate organization, the Council for Technological Advancement, are the national spokesmen for the capital goods and allied equipment industries of the United States.

Our comments are addressed to one part of the bill—(section 104)—the provision that the schedule for accelerating corporate income tax payments, in accordance with section 122 of the Revenue Act of 1964 and as set out in section 6154 of the Internal Revenue Code of 1954, be further speeded up so that corporations will be on a current basis with respect to estimated tax liability by 1967 instead of 1970 as now provided. For 1966, this would mean that on April 15 and June 15 a calendar year corporation would owe 12 percent payments, instead of 9 percent payments, on its estimated current income tax liability; in 1967, these payments would rise from the now-scheduled 14 percent to a full 25 percent.

It is clear that, for the average corporation, adoption of the speedup recommendation will increase cash-liquidity requirements and the problems inherent in estimating. The strain that will be caused for some corporations by adding these proposed percentage increases to the existing schedule for stepping up payments will be quite severe. For that reason, we urge that the committee, in connection with its consideration of this proposal, study the possibility of liberalizing section 6655 of the Internal Revenue Code which relates to the determination of underpayment by a corporation of estimated tax liability and the consequences of such underpayment. Specifically, recognizing that the annualization method of estimating corporate income and tax liability for the payment due on the 15th of the 4th month is now based on the first 3 months' experience, we recommend that the annualization method should be amended to permit also, at the corporation's option, estimation based on the first 2 months' or first month's experience.

ANNUALIZATION METHOD OF ESTIMATING FIRST CORPORATE TAX PAYMENT DUE IN CURRENT YEAR

A corporation is required to make installment payments on its current-year tax liability on the 15th day of the 4th, 6th, 9th, and 12th months of its taxable year—for a calendar year corporation these due dates are April 15, June 15, September 15, and December 15. The 6-percent "addition" for underpayment is assessed if any of these payments is based on an estimated tax liability which amounts to less than 70 percent of actual tax liability.

However, there are three alternative methods which the corporation may use to avoid liability for the 6-percent "addition." The first two are based on the preceding year's tax liability and the preceding year's income taxed at the current year's rates. Use of these methods obviously creates special problems when the current year's income greatly exceeds the preceding year's income and a very substantial part of the current year's tax liability must be paid in one lump sum with the filing of that year's return on the following March 15. The third alternative, annualization—estimating the current year's earnings and tax liability on the basis of experience for a fraction of that year—seems to be of greater significance than the first two alternatives for the average corporation.

Under the annualization concept, the corporation is to pay at least 70 percent of whatever fraction of the tax liability of the current year, based on the earnings for that year up to that point, is to be paid by that date. With respect to annualization for the second, third, and fourth quarters—in connection with the payments due on June 15, September 15, and December 15, in the case of a calendar year corporation—the installment can be based on earnings experience through either the end of the immediately preceding month or the end of the third month preceding the current month. Thus the corporation can base its projected earnings and tax liability for the second, third, and fourth quarters on the basis of earnings experience through either the 15th or the 75th day prior to the due date for paying that particular installment.

In the case of the first installment, however, no option is available: in the case of a calendar year corporation, the first installment due on April 15 must be annualized on the basis of experience through March 31.

The problem caused by underestimation and liability for the 6-percent underpayment "addition" perhaps has not been too significant for most corporations when, under the annualization method, the minimum payment due for calendar year corporations on April 15, 1964 and April 15, 1965, has been merely 0.7 percent and 2.8 percent, respectively, of its actual tax liability for those years. But under the administration recommendation these percentage figures rise sharply to 8.4 percent and 17.5 percent, respectively, for April 15, 1966 and April 15, 1967.

You will recall that a similar problem arose in connection with the enactment of the Internal Revenue Code of 1954 which initially required corporations to begin to pay their income tax liability on September 15 and December 15 (in the case of calendar year corporations) of the current year. With respect to the application of the annualization method to these current year payments, the Congress accepted in the final version of the bill a Finance Committee amendment which permitted annualization based, at the option of the corporation, on experience either through the month prior to the month in which payment was due or through the month prior to the month in which payment was due or through the period ending 2 months before that month.

The following reason for the amendment given by this committee seems to us equally applicable to the current situation respecting the payment due for the first quarter:

This provision will substantially ease the compliance burdens for a number of corporations which, because of the difficulties in inventorying, would have inadequate time to prepare an estimate on the basis of the annualized income through the months ending before the month in which the installment is to be paid.¹

¹ S.Rept. 1622, 83d Cong., 2d sess., p. 140.

Accordingly, we suggest that section 6655(d)(3)(A)(i)—the provision relating to the application of the annualization method to the first quarter payment—be amended to permit estimation, at the corporation's option, based on the first month or the first 2 months of the current taxable year as well as estimation based on the first 3 months.

This brief presentation has been confined to one aspect—and a technical aspect—of the current tax recommendations of the President. We do feel obliged, however, to offer general comment with regard to the tax program and related Government policy considerations which are now before the Committee on Finance. During the deliberations of the Committee on Ways and Means regarding H.R. 12752, as reflected in the committee Report No. 1285, some consideration was given to the question of overall fiscal policy, in particular, restraint on nondefense Government expenditures. This subject was also discussed at some length in the floor debate in the House. We hope and urge that the Committee on Finance in its consideration of H.R. 12752, and later the Senate as a whole, will give increased emphasis to the question of, and in our view the need for, increased restraint on nondefense Government expenditures.

Respectfully,

CHARLES W. STEWART, *President.*

WESTERN GROWERS ASSOCIATION,
Los Angeles, Calif., February 25, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The Western Growers Association represents the vegetable and melon industry of California and Arizona. Its membership to every corner of the United States and Canada over 300,000 carlots of these food commodities, in fresh form, annually. Under H.R. 12752, the Tax Adjustment Act of 1966, a request is being made to restore the reduction of excise tax on telephones which the administration recommended and Congress approved in 1965.

This \$500 million industry dealing in perishables arranges for distribution of its production almost completely by telephone communications. Daily supplies, shipments, costs, and sales are discussed and confirmed over the telephone. It has been conservatively estimated the annual telephone bill of the produce industry is over \$100 million.

It is most discriminatory to place a special tax on such specialized service so vital to growers. To an industry already caught in the trap of ever-increasing costs, with no control on prices for its commodities, the proposed telephone tax increase is a most severe blow.

On February 24, 1966, the board of directors of the Western Growers Association met and adopted a resolution, copy enclosed, urging that the Members of Congress oppose the reinstatement of the excise tax on telephone service.

We respectfully solicit your support for the protection of the flow of our perishable produce to the Nation's markets.

Yours very truly,

FRANK W. CASTIGLIONE,
Executive Vice President.

RESOLUTION

Whereas the use of telephone communications are an integral part of the production, shipment, and distribution of perishable food commodities to consumers; and

Whereas the proposal to restore the reduction in excise tax on telephone service which the administration recommended and the Congress approved in 1965 is detrimental and prejudicial to the already overburdened production costs of growers; and therefore, be it

Resolved, That we urge Members of the Senate to oppose reinstatement of the tax on telephone service and seek sources of needed revenue which are not prejudicial to such a vital, integral part of the distribution of food commodities to the Nation's marketplace.

Adopted: Western Growers Association, Los Angeles, Calif., February 24, 1966.

F. W. CASTIGLIONE, *Secretary.*

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., February 28, 1966.

HON. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN LONG: The American Farm Bureau Federation, a general farm organization representing more than 1,677,000 member families in 49 States and Puerto Rico, has long maintained a keen interest in Federal tax policies. Through an extensive policy development program, our member families discuss problems and develop recommendations on many issues which affect them directly in the business of agriculture as well as those matters which have an important impact upon them as citizens of the United States.

In view of the expenditures made necessary by the Vietnam conflict, we recognize the necessity for the reduction of nonessential Government expenditures. A prime candidate for close scrutiny by Congress is the increased emphasis on direct payments in the Department of Agriculture budget. These payments could be substantially reduced.

Farm Bureau has carefully reviewed the recommendations made by the administration with regard to certain tax adjustments. We are opposed to the proposal to restore the January 1 reductions in the excise tax rates on telephone service and passenger automobiles.

Farm Bureau's 1966 policies state:

"Federal excise taxes should be limited to nonessentials and user taxes such as the tax on passenger transportation by air and the taxes now committed to the Federal highway trust fund. The reductions enacted in 1965 should become effective as scheduled. In revising the excise tax structure, priority should be given to the elimination of taxes that affect farm production costs."

Farm Bureau believes that the Federal excise taxes on telephone service and passenger automobiles—

Are highly discriminatory;

Invade a field of taxation which should be left to local and State governments;

Bear heavily upon farmers and ranchers, increasing their production costs and decreasing their net income.

In 1965 Farm Bureau supported the removal and reduction of many of the Federal excise taxes. We urge that priority be given to the removal of those excise taxes which directly affect our cost of production—especially telephone service and automobiles.

While removal of the taxes on telephone service and automobiles was scheduled over a 4-year period (except for a 1-percent tax on automobiles which was made

permanent), the excise taxes on many luxury items were removed immediately upon the effective date of the act.

The President's recommendation would delay most of the reductions on telephone service and automobiles for 2 years but would not reinstitute the taxes on luxury items. We do not believe this is sound tax policy.

We are certain that the committee will agree that it is not in the best interest of American agriculture, business, or consumers for excise taxes to be manipulated in the fashion proposed by the administration's recommendations. For example, in 1965 the excise tax on telephone service was 10 percent; on January 1, 1966, it was reduced to 3 percent; under the President's proposal, the tax would be increased to 10 percent approximately a month after the enactment of the new legislation. This tax would be reduced back to 3 percent January 1, 1968, and decline by 1 percent for the succeeding 3 years. We do not believe that the committee wishes to build such complexities into the application of Federal taxes.

We have recommended that the Congress take the necessary action to reduce the deficit and make substantial progress toward the objective of a balanced budget by limiting Federal expenditures. We believe that reduced Federal expenditures are preferable to the manipulation of Federal excise tax rates in the manner proposed by the administration.

We are not opposed to the remaining three recommendations made by the President in regard to (1) corporate income tax payments; (b) a graduated withholding system for individuals; and (c) quarterly social security tax payments.

We respectfully request that this letter be made a part of the hearing record in regard to this matter.

Very truly yours,

CHARLES B. SHUMAN, *President.*

STATEMENT BY INVESTORS LEAGUE, INC.

Mr. Chairman and members of the committee, my name is William Jackman. I am president of Investors League, Inc., New York. The Investors League is a nonprofit, nonpartisan, voluntary membership organization of thousands of investors, small and large, residing in the 50 States of the Union.

H.R. 12752 provides for rescinding the telephone and automobile Federal excise taxes scheduled to be effective on January 1, 1966. It is estimated that if such tax reductions are rescinded, the Government would receive \$750 million in excise taxes from telephone users and \$420 million from the excise taxes on automobiles.

The rescinding of these excise taxes would hit people who could least afford it. Telephones and automobiles are no longer luxuries and an excise tax on them amounts to making the workingman, the poor, and elderly carry the heaviest burden of the proposed tax program. In equity, it seems most unfair to single out but two industries for onerous excise taxes while others go free. Certainly mink coats, expensive jewelry, and nightclubs are not necessities.

Assuming that the Government needs the revenue, we feel that there are better and less painful ways to obtain it.

We especially wish to suggest to this committee that they incorporate as an amendment to H.R. 12752 the proposals set forth in H.R. 12301 introduced in the House on January 26, 1966, designed to encourage equity investment in new and small businesses, to relieve unemployment, and provide substantial additional revenue to the Federal Government which it now so sorely needs.

In essence, H.R. 12301 provides that the maximum tax rate on long-term capital gains be cut from the present 25 to 12½ percent.

Such a tax cut would benefit elderly homeowners tremendously. These taxes on long-term capital gains are largely no tax on income at all, but a tax on capital and thoroughly punitive in character.

People who have had substantial stockholdings for a long period of time will not sell and reinvest because of the high tax rate involved. A recent survey conducted by the highly respected firm of Louis Harris & Associates, Inc., concludes that if the maximum capital tax rate were reduced to 12½ percent, the market value of sales by all individual investors would soar from \$10.3 to \$67.3 billion. Total capital appreciation of \$29.2 billion would become subject to the lower capital gains tax rate.

Thus, nearly seven times as much stock would be sold. Nearly 10 times as much capital appreciation would be unlocked and thus become subject to the lower capital gains tax rate. In terms of dollars, \$57 billion more of capital would be freed for reinvestment than under the present rates, and the Treasury would receive \$2.5 billion in revenue—over \$2 billion more than under the present rates.

Gentlemen, here is a tax rate reduction that will give the Government a substantial new source of revenues which will be contributed willingly by the rich and enable the poor to have their excise tax reductions which they so thoroughly deserve.

Gentlemen, I thank you.

WILLIAM JACKMAN, *President.*



LEGISLATIVE HISTORY

Public Law 89-368
H. R. 12752

TABLE OF CONTENTS

Index and summary of H. R. 127521
Digest of Public Law 89-3682

INDEX AND SUMMARY OF H. R. 12752

- Feb. 10, 1966 Rep. Mills introduced H. R. 12752 which was referred to House Ways and Means Committee. Print of bill as introduced.
- House Ways and Means Committee voted to report H.R. 12752.
- Feb. 15, 1966 House committee reported H. R. 12752 without amendment. H. Report No. 1285. Print of bill and report.
- Feb. 17, 1966 House Rules Committee reported resolution for consideration of H. R. 12752. H. Res. 736, H. Rept. 1292. Print of resolution and report.
- Feb. 23, 1966 House passed H. R. 12752 with amendments.
- Feb. 24, 1966 H. R. 12752 was referred to Senate Finance Committee. Print of bill as referred.
- Mar. 1, 1966 Senate committee voted to report H. R. 12752.
- Mar. 2, 1966 Senate committee reported H. R. 12752 with amendments. S. Report 1010. Print of bill and report.
- Mar. 4, 1966 Senate began debate on H. R. 12752.
- Mar. 7, 1966 Senate continued debate on H. R. 12752.
- Mar. 8, 1966 Senate continued debate on H. R. 12752.
- Mar. 9, 1966 Senate passed H. R. 12752 with amendments.
- Senate conferees were appointed.
- Print of H. R. 12752 as passed by Senate.
- Mar. 10, 1966 House conferees were appointed.
- Mar. 14, 1966 House received conference report on H. R. 12752. H. Report No. 1323. Print of report.
- Mar. 15, 1966 Both Houses agreed to the conference report on H. R. 12752.

Approved: Public Law 89-368.

DIGEST OF PUBLIC LAW 89-368

TAX ADJUSTMENT ACT OF 1966. Eliminates the flat 14-percent withholding rate for individual income taxes and provides, effective May 1, 1966, a system of six withholding rates, graduated from 14 to 30 percent, according to income. Makes adjustments in withholding exemptions and allowances and provides monthly Social Security benefits for all persons 72 or older who are not presently covered. Suspends certain 1966 and 1967 excise tax reductions.

Feb. 19, 1966

Sen. Anderson inserted the annual report of the Office of Water Resources Research, Department of the Interior. pp. 2826-9

8. PERSONNEL. Sen. Williams, N. J., inserted Vice President Humphrey's speech at the Rockefeller Public Service Awards on "the rewards and high obligations of a career in Government Service." pp. 2819-20
Received from the Civil Service Commission a report on positions in grades GS-16, 17, and 18 for calendar year 1965. p. 2792
9. TOBACCO. Sen. Neuberger inserted an article on the dangers of cigarette smoking. pp. 2811-12
10. GRANTS-IN-AID. Sen. McIntyre inserted N. H. Governor King's address at the Conference on Federal Cooperation with Local Governments defending Federal grants-in-aid to local governments. p. 2837
11. JOB CORPS. Sen. Douglas inserted an article commending the work of Job Corps centers. pp. 2822-3
12. OUTDOOR RECREATION. Cosponsors were added to S. 2872, to encourage private enterprise in the establishment and development of outdoor recreation areas and facilities for public use. p. 2799
13. ADJOURNED until Monday, February 14. p. 2865

HOUSE

14. TAX ADJUSTMENT. The Ways and Means Committee voted to report (but did not actually report) H. R. 12752, the proposed Tax Adjustment Act of 1966. p. D86
15. MILK. Reps. Grider and Ryan criticized the budget reduction for school milk funds. pp. 2698, 2716
16. VETERANS' BENEFITS. Rep. Halpern commended passage of the cold war GI bill. pp. 2699, 2717
17. FOOD FOR FREEDOM. Representatives Poage, Annunzio, Sullivan, Albert, and Todd commended the President's food-for-freedom program. pp. 2705, 2705-6, 2706
18. FOREIGN AID. Rep. Halpern spoke in support of H. R. 12563, to provide for U. S. participation in the Asian Development Bank. pp. 2699-2700
19. EDUCATION. Rep. Bennett objected to the budget proposal "to reduce the impact aid to education program." p. 2700
20. ECONOMY. Rep. Findley commended and inserted an article, "The Budget and Inflation." pp. 2707-8
Rep. Derwinski criticized the "butter as well as guns" program for Vietnam. p. 2717
21. COTTON. Rep. Findley inserted the text of a speech by Secretary Freeman before textile manufactures in which he alleges that the Secretary admitted that he was wrong on the 1964 cotton legislation. pp. 2708-9

22. TRANSPORTATION. Rep. Sickles praised the "piggyback railroading" plan and the development of another such plan, piggyback marketing, whereby the large companies will export the products of a small businessman. pp. 2712-3
23. AIR POLLUTION. Received from HEW a report on measures being taken to control the emission of air pollutants from Federal facilities. p. 2726
24. ADJOURNED until Monday, February 14. p. 2725

ITEMS IN APPENDIX

25. SMALL BUSINESS. Extension of remarks of Rep. Evins stating that "the small businessmen of the Nation are dismayed at recurrent rumors that the Small Business Administration is to be transferred to the Department of Commerce." pp. A685-6
26. SOCIAL SECURITY; MEDICARE. Extension of remarks of Rep. Satterfield inserting a fact sheet developed by his office which shows exactly what the medicare program does not cover. pp. A687-8
27. INTEREST RATES; FARM ECONOMY. Extension of remarks of Rep. Hansen stating that the recent raising of interest rates "has caused quite a furor", and that "the farm economy of our area has never progressed under a tight money policy." p. A688
28. NATURAL RESOURCES. Rep. Brademas inserted a letter from the Governor of Indiana setting forth the recommendations of the recent Governor's Conference on Natural Beauty and Natural Resources. pp. A691-2
29. FOREIGN AID; FOOD FOR FREEDOM. Extension of remarks of Rep. McVicker favoring the proposals to fight "wars" on poverty and disease and stating that this is "reflected by the fact that the President took the Secretaries of Welfare and Agriculture to the Honolulu meeting", and inserting an article on this subject. pp. A701-2

BILLS INTRODUCED

30. TAXATION. H. R. 12752 by Rep. Mills, to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions; to Ways and Means Committee.
31. FOREIGN TRADE. H. R. 12756 by Rep. Curtis, to amend the Trade Expansion Act of 1962 to provide that the President's annual report to Congress shall be submitted on or before March 31 of each year; to Ways and Means Committee. Remarks of author p. 2707
32. LABELING. H. R. 12759 by Rep. Farnum, to regulate interstate and foreign commerce by preventing the use of unfair or deceptive methods of packaging or labeling of certain consumer commodities distributed in such commerce; to Interstate and Foreign Commerce Committee. Remarks of author pp. 2723-5

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1966

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

9 SECTION 101. INCOME TAX COLLECTED AT SOURCE.

(a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
section (a) of section 3402 (relating to requirement of
withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

plied by the amount of one such exemption as shown in the
table in subsection (b) (1) :

“Table 1—If the payroll period with respect to an employee is
WEEKLY

“(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4_____	0.
Over \$4 but not over \$13_____	14% of excess over \$4.
Over \$13 but not over \$23_____	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85_____	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169_____	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212_____	\$30.10 plus 25% of excess over \$169.
Over \$212_____	\$40.85 plus 30% of excess over \$212.

“(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4_____	0.
Over \$4 but not over \$23_____	14% of excess over \$4.
Over \$23 but not over \$85_____	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169_____	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340_____	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423_____	\$60.44 plus 25% of excess over \$340.
Over \$423_____	\$81.19 plus 30% of excess over \$423.

“Table 2—If the payroll period with respect to an employee is
BIWEEKLY

“(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8_____	0.
\$8 but not over \$27_____	14% of excess over \$8.
Over \$27 but not over \$46_____	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169_____	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338_____	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423_____	\$60.22 plus 25% of excess over \$338.
Over \$423_____	\$81.47 plus 30% of excess over \$423.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

**“Table 4—If the payroll period with respect to an employee is
MONTHLY**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

**“Table 5—If the payroll period with respect to an employee is
QUARTERLY**

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425-----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500-----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

**“Table 6—If the payroll period with respect to an employee is
SEMIANNUAL**

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200-----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500-----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200-----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850-----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000-----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

**“Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200_____	0.
Over \$200 but not over \$700_____	14% of excess over \$200.
Over \$700 but not over \$1,200_____	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400_____	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000---	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000_____	\$2,119 plus 30% of excess over \$11,000.

2 **“(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200_____	0.
Over \$200 but not over \$1,200_____	14% of excess over \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800--	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000_	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000_____	\$4,223 plus 30% of excess over \$22,000.

**“Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 **“(a) Single Person—Including Head of Household:**

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50_____	0.
Over \$0.50 but not over \$1.90_____	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30_____	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10_____	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10--	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10--	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10_____	\$5.81 plus 30% of excess over \$30.10.

1 “(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is: **The amount of income tax to be withheld shall be:**

Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30-----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10-----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10----	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50----	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30----	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-

3 graph (1) of section 3402 (b) (relating to percentage

4 method withholding table) is amended by striking out the

5 table set forth therein and inserting the following table in

6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)

8 of section 3402 (c) (relating to wage bracket withholding)

1 is amended by striking out the tables set forth therein and
 2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	\$0.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.70	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	2.00	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.30	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.40	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.60	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.70	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.90	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	3.00	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.20	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.40	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.50	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.70	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.90	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	4.10	1.90	0	0	0	0	0	0	0	0	0
\$31	\$32	4.20	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.40	2.20	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.60	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.70	2.50	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.90	2.60	.70	0	0	0	0	0	0	0	0
\$36	\$37	5.10	2.80	.80	0	0	0	0	0	0	0	0
\$37	\$38	5.20	3.00	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.40	3.10	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.60	3.30	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.80	3.50	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.90	3.60	1.50	0	0	0	0	0	0	0	0
\$42	\$43	6.10	3.80	1.70	0	0	0	0	0	0	0	0
\$43	\$44	6.30	4.00	1.80	0	0	0	0	0	0	0	0
\$44	\$45	6.40	4.10	2.00	0	0	0	0	0	0	0	0
\$45	\$46	6.60	4.30	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.80	4.50	2.30	.30	0	0	0	0	0	0	0
\$47	\$48	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$48	\$49	7.10	4.80	2.60	.60	0	0	0	0	0	0	0
\$49	\$50	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$50	\$51	7.50	5.20	2.90	.90	0	0	0	0	0	0	0
\$51	\$52	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0
\$52	\$53	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0
\$53	\$54	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$54	\$55	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0
\$55	\$56	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$56	\$57	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0
\$57	\$58	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$58	\$59	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0
\$59	\$60	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$60	\$62	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0
\$62	\$64	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0
\$64	\$66	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0
\$66	\$68	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0
\$68	\$70	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0
\$70	\$72	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0
\$72	\$74	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0
\$74	\$76	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0
\$76	\$78	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0
\$78	\$80	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0
\$80	\$82	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0
\$82	\$84	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0
\$84	\$86	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0
\$86	\$88	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0
\$88	\$90	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$90	\$92	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0
\$92	\$94	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0
\$94	\$96	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0
\$96	\$98	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98-----	\$100----	\$16.10	\$13.40	\$11.10	\$8.80	\$6.50	\$4.30	\$2.10	\$1.10	\$0	\$0	\$0
\$100-----	\$105----	16.80	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0
\$105-----	\$110----	17.80	15.10	12.60	10.30	8.00	5.70	3.40	1.30	0	0	0
\$110-----	\$115----	18.80	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0
\$115-----	\$120----	19.80	17.10	14.40	12.00	9.70	7.40	5.10	2.80	.80	0	0
\$120-----	\$125----	20.80	18.10	15.40	12.80	10.50	8.20	6.00	3.70	1.50	0	0
\$125-----	\$130----	21.80	19.10	16.40	13.80	11.40	9.10	6.80	4.50	2.30	.40	0
\$130-----	\$135----	22.80	20.10	17.40	14.80	12.20	9.90	7.70	5.40	3.10	1.10	0
\$135-----	\$140----	23.80	21.10	18.40	15.80	13.10	10.80	8.50	6.20	3.90	1.80	0
\$140-----	\$145----	24.80	22.10	19.40	16.80	14.10	11.60	9.40	7.10	4.80	2.50	.60
\$145-----	\$150----	25.80	23.10	20.40	17.80	15.10	12.50	10.20	7.90	5.60	3.30	1.30
\$150-----	\$160----	27.30	24.60	21.90	19.30	16.60	13.90	11.50	9.20	6.90	4.60	2.40
\$160-----	\$170----	29.30	26.60	23.90	21.30	18.60	15.90	13.20	10.90	8.60	6.30	4.00
\$170-----	\$180----	31.60	28.60	25.90	23.30	20.60	17.90	15.20	12.60	10.30	8.00	5.70
\$180-----	\$190----	34.10	30.80	27.90	25.30	22.60	19.90	17.20	14.50	12.00	9.70	7.40
\$190-----	\$200----	36.60	33.30	29.90	27.30	24.60	21.90	19.20	16.50	13.80	11.40	9.10
\$200-----	\$210----	39.10	35.80	32.40	29.30	26.60	23.90	21.20	18.50	15.80	13.10	10.80
\$210-----	\$220----	41.80	38.30	34.90	31.50	28.60	25.90	23.20	20.50	17.80	15.10	12.50
\$220-----	\$230----	44.80	40.80	37.40	34.00	30.70	27.90	25.20	22.50	19.80	17.10	14.40
\$230-----	\$240----	47.80	43.80	39.90	36.50	33.20	29.90	27.20	24.50	21.80	19.10	16.40
\$240-----	\$250----	50.80	46.80	42.70	39.00	35.70	32.30	29.20	26.50	23.80	21.10	18.40
\$250-----	\$260----	53.80	49.80	45.70	41.70	38.20	34.80	31.40	28.50	25.80	23.10	20.40
\$260-----	\$270----	56.80	52.80	48.70	44.70	40.70	37.30	33.90	30.60	27.80	25.10	22.40
\$270-----	\$280----	59.80	55.80	51.70	47.70	43.60	39.80	36.40	33.10	29.80	27.10	24.40
\$280-----	\$290----	62.80	58.80	54.70	50.70	46.60	42.60	38.90	35.60	32.20	29.10	26.40
\$290-----	\$300----	65.80	61.80	57.70	53.70	49.60	45.60	41.60	38.10	34.70	31.30	28.40
\$300-----	\$310----	68.80	64.80	60.70	56.70	52.60	48.60	44.60	40.60	37.20	33.80	30.50
\$310-----	\$320----	71.80	67.80	63.70	59.70	55.60	51.60	47.60	43.50	39.70	36.30	33.00
\$320-----	\$330----	74.80	70.80	66.70	62.70	58.60	54.60	50.60	46.50	42.50	38.80	35.50
\$330-----	\$340----	77.80	73.80	69.70	65.70	61.60	57.60	53.60	49.50	45.50	41.40	38.00
\$340-----	\$350----	80.80	76.80	72.70	68.70	64.60	60.60	56.60	52.50	48.50	44.40	40.50
\$350-----	\$360----	83.80	79.80	75.70	71.70	67.60	63.60	59.60	55.50	51.50	47.40	43.40
30 percent of the excess over \$360 plus—												
\$360 and over----		85.30	81.30	77.20	73.20	69.10	65.10	61.10	57.00	53.00	48.90	44.90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	\$0.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$62	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$64	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$66	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$68	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$70	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$72	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$74	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$76	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$78	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$80	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$82	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$84	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$86	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$88	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$90	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$92	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$94	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$96	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$98	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$100	\$105	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0
\$105	\$110	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$110	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$115	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$120	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0
\$125	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$130	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$135	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140.....	\$145.....	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$.60
\$145.....	\$150.....	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150.....	\$160.....	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$160.....	\$170.....	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80
\$170.....	\$180.....	27.50	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30
\$180.....	\$190.....	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80
\$190.....	\$200.....	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30
\$200.....	\$210.....	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80
\$210.....	\$220.....	35.50	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30
\$220.....	\$230.....	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90
\$230.....	\$240.....	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60
\$240.....	\$250.....	41.50	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30
\$250.....	\$260.....	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00
\$260.....	\$270.....	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70
\$270.....	\$280.....	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40
\$280.....	\$290.....	49.50	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10
\$290.....	\$300.....	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80
\$300.....	\$310.....	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50
\$310.....	\$320.....	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50
\$320.....	\$330.....	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50
\$330.....	\$340.....	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50
\$340.....	\$350.....	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50
\$350.....	\$360.....	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50
\$360.....	\$370.....	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50
\$370.....	\$380.....	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50
\$380.....	\$390.....	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50
\$390.....	\$400.....	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50
\$400.....	\$410.....	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50
\$410.....	\$420.....	79.20	75.80	72.50	69.10	65.70	62.40	59.30	56.60	53.90	51.20	48.50
\$420.....	\$430.....	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50
\$430.....	\$440.....	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50
\$440.....	\$450.....	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50
\$450.....	\$460.....	90.80	86.80	82.70	79.10	75.70	72.40	69.00	65.60	62.30	59.20	56.50
\$460.....	\$470.....	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50
\$470.....	\$480.....	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50
\$480.....	\$490.....	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00
\$490.....	\$500.....	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50
\$500.....	\$510.....	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00
\$510.....	\$520.....	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50
\$520.....	\$530.....	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00
\$530.....	\$540.....	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50
\$540.....	\$550.....	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00
\$550.....	\$560.....	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50
\$560.....	\$570.....	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40
30 percent of the excess over \$570 plus—												
\$570 and over.....		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$8	\$0.20	0	0	0	0	0	0	0	0	0	0
\$8	\$10	.50	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.70	0	0	0	0	0	0	0	0	0	0
\$12	\$14	1.00	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.30	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.60	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.90	0	0	0	0	0	0	0	0	0	0
\$20	\$22	2.10	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.40	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.70	0	0	0	0	0	0	0	0	0	0
\$26	\$28	3.00	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.30	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.60	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.90	.10	0	0	0	0	0	0	0	0	0
\$34	\$36	4.20	.30	0	0	0	0	0	0	0	0	0
\$36	\$38	4.50	.60	0	0	0	0	0	0	0	0	0
\$38	\$40	4.80	.90	0	0	0	0	0	0	0	0	0
\$40	\$42	5.10	1.20	0	0	0	0	0	0	0	0	0
\$42	\$44	5.40	1.50	0	0	0	0	0	0	0	0	0
\$44	\$46	5.70	1.70	0	0	0	0	0	0	0	0	0
\$46	\$48	6.10	2.00	0	0	0	0	0	0	0	0	0
\$48	\$50	6.40	2.30	0	0	0	0	0	0	0	0	0
\$50	\$52	6.70	2.60	0	0	0	0	0	0	0	0	0
\$52	\$54	7.10	2.90	0	0	0	0	0	0	0	0	0
\$54	\$56	7.40	3.20	0	0	0	0	0	0	0	0	0
\$56	\$58	7.80	3.50	0	0	0	0	0	0	0	0	0
\$58	\$60	8.10	3.80	0	0	0	0	0	0	0	0	0
\$60	\$62	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$62	\$64	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$64	\$66	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$66	\$68	9.50	5.00	1.00	0	0	0	0	0	0	0	0
\$68	\$70	9.80	5.30	1.30	0	0	0	0	0	0	0	0
\$70	\$72	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$72	\$74	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$74	\$76	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$76	\$78	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$78	\$80	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$80	\$82	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$82	\$84	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$84	\$86	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$86	\$88	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$88	\$90	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$90	\$92	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$92	\$94	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$94	\$96	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$96	\$98	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$98	\$100	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$100	\$102	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$102	\$104	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$104	\$106	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$106	\$108	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$108	\$110	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$110	\$112	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$112	\$114	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$114	\$116	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$116	\$118	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$118	\$120	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$120	\$124	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$124	\$128	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$128	\$132	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$132	\$136	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$136	\$140	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$140	\$144	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$144	\$148	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$148	\$152	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$152	\$156	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$156	\$160	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$160	\$164	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$164	\$168	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$168	\$172	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$172	\$176	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$176	\$180	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$180	\$184	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$184	\$188	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$188	\$192	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$192	\$196	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$196	\$200	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$200	\$210	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$210	\$220	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$220	\$230	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$230	\$240	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$240	\$250	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$250	\$260	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$260	\$270	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0
\$270	\$280	49.70	44.30	38.90	33.50	28.20	23.60	19.20	14.60	9.10	5.10	0

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$280.....	\$290....	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290.....	\$300....	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300.....	\$320....	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320.....	\$340....	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340.....	\$360....	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360.....	\$380....	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380.....	\$400....	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400.....	\$420....	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420.....	\$440....	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440.....	\$460....	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460.....	\$480....	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480.....	\$500....	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500.....	\$520....	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520.....	\$540....	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540.....	\$560....	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560.....	\$580....	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580.....	\$600....	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600.....	\$620....	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620.....	\$640....	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640.....	\$660....	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660.....	\$680....	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680.....	\$700....	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700.....	\$720....	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over...		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	\$0.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58	\$60	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60	\$62	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62	\$64	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66	\$68	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68	\$70	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72	\$74	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74	\$76	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78	\$80	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80	\$82	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82	\$84	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84	\$86	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86	\$88	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88	\$90	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90	\$92	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92	\$94	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94	\$96	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96	\$98	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98	\$100	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100	\$102	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102	\$104	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104	\$106	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106	\$108	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108	\$110	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110	\$112	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112	\$114	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114	\$116	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116	\$118	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118	\$120	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120	\$124	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$124	\$128	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$128	\$132	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$132	\$136	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$136	\$140	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$140	\$144	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$144	\$148	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$148	\$152	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$152	\$156	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$156	\$160	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$160	\$164	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$164	\$168	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$168	\$172	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$172	\$176	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$176	\$180	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$180	\$184	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$184	\$188	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$188	\$192	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$192	\$196	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$196	\$200	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$200	\$210	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$210	\$220	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$220	\$230	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$230	\$240	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$240	\$250	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$250	\$260	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260----	\$270----	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270----	\$280----	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280----	\$290----	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290----	\$300----	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300----	\$320----	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320----	\$340----	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340----	\$360----	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360----	\$380----	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380----	\$400----	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400----	\$420----	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420----	\$440----	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440----	\$460----	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460----	\$480----	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480----	\$500----	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500----	\$520----	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520----	\$540----	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540----	\$560----	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560----	\$580----	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580----	\$600----	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600----	\$620----	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620----	\$640----	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640----	\$660----	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660----	\$680----	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680----	\$700----	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700----	\$720----	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720----	\$740----	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740----	\$760----	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760----	\$780----	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780----	\$800----	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800----	\$820----	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820----	\$840----	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840----	\$860----	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860----	\$880----	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880----	\$900----	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900----	\$920----	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920----	\$940----	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940----	\$960----	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960----	\$980----	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980----	\$1,000----	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000----	\$1,020----	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020----	\$1,040----	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040----	\$1,060----	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060----	\$1,080----	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080----	\$1,100----	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100----	\$1,120----	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120----	\$1,140----	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over..		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

“If the payroll period with respect to an employee is semimonthly
and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	\$0.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.80	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.10	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.40	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.70	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	5.00	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72.....	\$74.....	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74.....	\$76.....	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78.....	\$80.....	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80.....	\$82.....	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82.....	\$84.....	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84.....	\$86.....	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86.....	\$88.....	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88.....	\$90.....	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90.....	\$92.....	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92.....	\$94.....	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94.....	\$96.....	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96.....	\$98.....	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98.....	\$100.....	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100.....	\$102.....	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102.....	\$104.....	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104.....	\$106.....	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106.....	\$108.....	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108.....	\$110.....	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110.....	\$112.....	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112.....	\$114.....	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114.....	\$116.....	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116.....	\$118.....	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118.....	\$120.....	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120.....	\$124.....	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124.....	\$128.....	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128.....	\$132.....	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132.....	\$136.....	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136.....	\$140.....	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140.....	\$144.....	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144.....	\$148.....	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148.....	\$152.....	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152.....	\$156.....	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156.....	\$160.....	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160.....	\$164.....	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164.....	\$168.....	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168.....	\$172.....	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172.....	\$176.....	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176.....	\$180.....	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180.....	\$184.....	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184.....	\$188.....	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188.....	\$192.....	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192.....	\$196.....	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196.....	\$200.....	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200.....	\$210.....	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$210.....	\$220.....	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$220.....	\$230.....	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$230.....	\$240.....	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$240.....	\$250.....	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$250.....	\$260.....	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260----	\$270---	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270----	\$280---	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280----	\$290---	49.00	43.20	37.40	31.50	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290----	\$300---	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300----	\$320---	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320----	\$340---	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340----	\$360---	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360----	\$380---	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380----	\$400---	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400----	\$420---	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420----	\$440---	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440----	\$460---	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460----	\$480---	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480----	\$500---	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500----	\$520---	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520----	\$540---	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540----	\$560---	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560----	\$580---	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580----	\$600---	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600----	\$620---	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620----	\$640---	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640----	\$660---	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660----	\$680---	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680----	\$700---	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700----	\$720---	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.30
\$720----	\$740---	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740----	\$760---	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.30
30 percent of the excess over \$760 plus—												
\$760 and over---		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$8-----	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8-----	\$10-----	\$0.10	0	0	0	0	0	0	0	0	0	0
\$10-----	\$12-----	.40	0	0	0	0	0	0	0	0	0	0
\$12-----	\$14-----	.70	0	0	0	0	0	0	0	0	0	0
\$14-----	\$16-----	.90	0	0	0	0	0	0	0	0	0	0
\$16-----	\$18-----	1.20	0	0	0	0	0	0	0	0	0	0
\$18-----	\$20-----	1.50	0	0	0	0	0	0	0	0	0	0
\$20-----	\$22-----	1.80	0	0	0	0	0	0	0	0	0	0
\$22-----	\$24-----	2.10	0	0	0	0	0	0	0	0	0	0
\$24-----	\$26-----	2.30	0	0	0	0	0	0	0	0	0	0
\$26-----	\$28-----	2.60	0	0	0	0	0	0	0	0	0	0
\$28-----	\$30-----	2.90	0	0	0	0	0	0	0	0	0	0
\$30-----	\$32-----	3.20	0	0	0	0	0	0	0	0	0	0
\$32-----	\$34-----	3.50	0	0	0	0	0	0	0	0	0	0
\$34-----	\$36-----	3.70	0	0	0	0	0	0	0	0	0	0
\$36-----	\$38-----	4.00	0	0	0	0	0	0	0	0	0	0
\$38-----	\$40-----	4.30	.20	0	0	0	0	0	0	0	0	0
\$40-----	\$42-----	4.60	.50	0	0	0	0	0	0	0	0	0
\$42-----	\$44-----	4.90	.80	0	0	0	0	0	0	0	0	0
\$44-----	\$46-----	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46-----	\$48-----	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48-----	\$50-----	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50-----	\$52-----	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52-----	\$54-----	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54-----	\$56-----	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56-----	\$58-----	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58-----	\$60-----	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60-----	\$62-----	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62-----	\$64-----	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64-----	\$66-----	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66-----	\$68-----	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68-----	\$70-----	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70-----	\$72-----	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72-----	\$74-----	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74-----	\$76-----	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76-----	\$78-----	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$78-----	\$80-----	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80-----	\$82-----	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82-----	\$84-----	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84-----	\$86-----	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86-----	\$88-----	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88-----	\$90-----	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90-----	\$92-----	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92-----	\$94-----	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94-----	\$96-----	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96-----	\$98-----	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98-----	\$100-----	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100-----	\$102-----	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102-----	\$104-----	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104-----	\$106-----	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106-----	\$108-----	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108-----	\$110-----	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110-----	\$112-----	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112-----	\$114-----	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114-----	\$116-----	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116-----	\$118-----	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118-----	\$120-----	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120-----	\$124-----	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124-----	\$128-----	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128-----	\$132-----	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132-----	\$136-----	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136-----	\$140-----	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140-----	\$144-----	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144-----	\$148-----	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148-----	\$152-----	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152-----	\$156-----	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156-----	\$160-----	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160-----	\$164-----	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$164	\$168	\$23. 20	\$18. 90	\$14. 50	\$10. 10	\$5. 70	\$1. 70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23. 80	19. 50	15. 10	10. 70	6. 30	2. 20	0	0	0	0	0
\$172	\$176	24. 40	20. 10	15. 70	11. 30	6. 90	2. 80	0	0	0	0	0
\$176	\$180	25. 00	20. 70	16. 30	11. 90	7. 50	3. 30	0	0	0	0	0
\$180	\$184	25. 60	21. 30	16. 90	12. 50	8. 10	3. 90	0	0	0	0	0
\$184	\$188	26. 30	21. 90	17. 50	13. 10	8. 70	4. 50	. 40	0	0	0	0
\$188	\$192	27. 00	22. 50	18. 10	13. 70	9. 30	5. 00	. 90	0	0	0	0
\$192	\$196	27. 60	23. 10	18. 70	14. 30	9. 90	5. 60	1. 50	0	0	0	0
\$196	\$200	28. 30	23. 70	19. 30	14. 90	10. 50	6. 20	2. 10	0	0	0	0
\$200	\$210	29. 50	24. 70	20. 30	16. 00	11. 60	7. 20	3. 00	0	0	0	0
\$210	\$220	31. 20	26. 30	21. 80	17. 50	13. 10	8. 70	4. 40	. 40	0	0	0
\$220	\$230	32. 90	28. 00	23. 30	19. 00	14. 60	10. 20	5. 80	1. 80	0	0	0
\$230	\$240	34. 60	29. 70	24. 80	20. 50	16. 10	11. 70	7. 30	3. 20	0	0	0
\$240	\$250	36. 30	31. 40	26. 40	22. 00	17. 60	13. 20	8. 80	4. 60	. 50	0	0
\$250	\$260	38. 00	33. 10	28. 10	23. 50	19. 10	14. 70	10. 30	6. 00	1. 90	0	0
\$260	\$270	39. 70	34. 80	29. 80	25. 00	20. 60	16. 20	11. 80	7. 50	3. 30	0	0
\$270	\$280	41. 40	36. 50	31. 50	26. 50	22. 10	17. 70	13. 30	9. 00	4. 70	. 60	0
\$280	\$290	43. 10	38. 20	33. 20	28. 20	23. 60	19. 20	14. 80	10. 50	6. 10	2. 00	0
\$290	\$300	44. 80	39. 90	34. 90	29. 90	25. 10	20. 70	16. 30	12. 00	7. 60	3. 40	0
\$300	\$320	47. 40	42. 40	37. 50	32. 50	27. 50	23. 00	18. 60	14. 20	9. 80	5. 50	1. 40
\$320	\$340	50. 80	45. 80	40. 90	35. 90	30. 90	26. 00	21. 60	17. 20	12. 80	8. 50	4. 20
\$340	\$360	54. 20	49. 20	44. 30	39. 30	34. 30	29. 40	24. 60	20. 20	15. 80	11. 50	7. 10
\$360	\$380	57. 70	52. 60	47. 70	42. 70	37. 70	32. 80	27. 80	23. 20	18. 80	14. 50	10. 10
\$380	\$400	61. 70	56. 00	51. 10	46. 10	41. 10	36. 20	31. 20	26. 30	21. 80	17. 50	13. 10
\$400	\$420	65. 70	59. 80	54. 50	49. 50	44. 50	39. 60	34. 60	29. 70	24. 80	20. 50	16. 10
\$420	\$440	69. 70	63. 80	58. 00	52. 90	47. 90	43. 00	38. 00	33. 10	28. 10	23. 50	19. 10
\$440	\$460	73. 70	67. 80	62. 00	56. 30	51. 30	46. 40	41. 40	36. 50	31. 50	26. 50	22. 10
\$460	\$480	77. 70	71. 80	66. 00	60. 20	54. 70	49. 80	44. 80	39. 90	34. 90	29. 90	25. 10
\$480	\$500	81. 70	75. 80	70. 00	64. 20	58. 30	53. 20	48. 20	43. 30	38. 30	33. 30	28. 40
\$500	\$520	85. 70	79. 80	74. 00	68. 20	62. 30	56. 60	51. 60	46. 70	41. 70	36. 70	31. 80
\$520	\$540	89. 70	83. 80	78. 00	72. 20	66. 30	60. 50	55. 00	50. 10	45. 10	40. 10	35. 20
\$540	\$560	93. 70	87. 80	82. 00	76. 20	70. 30	64. 50	58. 70	53. 50	48. 50	43. 50	38. 60
\$560	\$580	97. 70	91. 80	86. 00	80. 20	74. 30	68. 50	62. 70	56. 90	51. 90	46. 90	42. 00
\$580	\$600	101. 70	95. 80	90. 00	84. 20	78. 30	72. 50	66. 70	60. 80	55. 30	50. 30	45. 40
\$600	\$620	105. 70	99. 80	94. 00	88. 20	82. 30	76. 50	70. 70	64. 80	59. 00	53. 70	48. 80
\$620	\$640	109. 70	103. 80	98. 00	92. 20	86. 30	80. 50	74. 70	68. 80	63. 00	57. 20	52. 20
\$640	\$660	113. 70	107. 80	102. 00	96. 20	90. 30	84. 50	78. 70	72. 80	67. 00	61. 20	55. 60
\$660	\$680	117. 70	111. 80	106. 00	100. 20	94. 30	88. 50	82. 70	76. 80	71. 00	65. 20	59. 30
\$680	\$700	121. 70	115. 80	110. 00	104. 20	98. 30	92. 50	86. 70	80. 80	75. 00	69. 20	63. 30
\$700	\$720	125. 70	119. 80	114. 00	108. 20	102. 30	96. 50	90. 70	84. 80	79. 00	73. 20	67. 30
\$720	\$740	129. 70	123. 80	118. 00	112. 20	106. 30	100. 50	94. 70	88. 80	83. 00	77. 20	71. 30
\$740	\$760	134. 30	127. 80	122. 00	116. 20	110. 30	104. 50	98. 70	92. 80	87. 00	81. 20	75. 30
\$760	\$780	139. 30	132. 00	126. 00	120. 20	114. 30	108. 50	102. 70	96. 80	91. 00	85. 20	79. 30
\$780	\$800	144. 30	137. 00	130. 00	124. 20	118. 30	112. 50	106. 70	100. 80	95. 00	89. 20	83. 30
\$800	\$820	149. 30	142. 00	134. 70	128. 20	122. 30	116. 50	110. 70	104. 80	99. 00	93. 20	87. 30
\$820	\$840	154. 30	147. 00	139. 70	132. 40	126. 30	120. 50	114. 70	108. 80	103. 00	97. 20	91. 30
\$840	\$860	159. 30	152. 00	144. 70	137. 40	130. 30	124. 50	118. 70	112. 80	107. 00	101. 20	95. 30
\$860	\$880	164. 30	157. 00	149. 70	142. 40	135. 10	128. 50	122. 70	116. 80	111. 00	105. 20	99. 30
\$880	\$900	169. 30	162. 00	154. 70	147. 40	140. 10	132. 80	126. 70	120. 80	115. 00	109. 20	103. 30
\$900	\$920	174. 30	167. 00	159. 70	152. 40	145. 10	137. 80	130. 70	124. 80	119. 00	113. 20	107. 30
\$920	\$940	180. 00	172. 00	164. 70	157. 40	150. 10	142. 80	135. 50	128. 80	123. 00	117. 20	111. 30
\$940	\$960	186. 00	177. 20	169. 70	162. 40	155. 10	147. 80	140. 50	133. 30	127. 00	121. 20	115. 30
\$960	\$980	192. 00	183. 20	174. 70	167. 40	160. 10	152. 80	145. 50	138. 30	131. 00	125. 20	119. 30
\$980	\$1,000	198. 00	189. 20	180. 50	172. 40	165. 10	157. 80	150. 50	143. 30	136. 00	129. 20	123. 30
\$1,000	\$1,020	204. 00	195. 20	186. 50	177. 70	170. 10	162. 80	155. 50	148. 30	141. 00	133. 70	127. 30
\$1,020	\$1,040	210. 00	201. 20	192. 50	183. 70	175. 10	167. 80	160. 50	153. 30	146. 00	138. 70	131. 40
\$1,040	\$1,060	216. 00	207. 20	198. 50	189. 70	181. 00	172. 80	165. 50	158. 30	151. 00	143. 70	136. 40
\$1,060	\$1,080	222. 00	213. 20	204. 50	195. 70	187. 00	178. 20	170. 50	163. 30	156. 00	148. 70	141. 40
\$1,080	\$1,100	228. 00	219. 20	210. 50	201. 70	193. 00	184. 20	175. 50	168. 30	161. 00	153. 70	146. 40
\$1,100	\$1,120	234. 00	225. 20	216. 50	207. 70	199. 00	190. 20	181. 50	173. 30	166. 00	158. 70	151. 40
\$1,120	\$1,140	240. 00	231. 20	222. 50	213. 70	205. 00	196. 20	187. 50	178. 70	171. 00	163. 70	156. 40
\$1,140	\$1,160	246. 00	237. 20	228. 50	219. 70	211. 00	202. 20	193. 50	184. 70	176. 00	168. 70	161. 40
\$1,160	\$1,180	252. 00	243. 20	234. 50	225. 70	217. 00	208. 20	199. 50	190. 70	182. 00	173. 70	166. 40
\$1,180	\$1,200	258. 00	249. 20	240. 50	231. 70	223. 00	214. 20	205. 50	196. 70	188. 00	179. 20	171. 40
\$1,200	\$1,220	264. 00	255. 20	246. 50	237. 70	229. 00	220. 20	211. 50	202. 70	194. 00	185. 20	176. 50
30 percent of the excess over \$1,220 plus—												
\$1, 220 and over..		267. 00	258. 20	249. 50	240. 70	232. 00	223. 20	214. 50	205. 70	197. 00	188. 20	179. 50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0-----	\$16-----	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16-----	\$20-----	\$0.20	0	0	0	0	0	0	0	0	0	0
\$20-----	\$24-----	.70	0	0	0	0	0	0	0	0	0	0
\$24-----	\$28-----	1.30	0	0	0	0	0	0	0	0	0	0
\$28-----	\$32-----	1.90	0	0	0	0	0	0	0	0	0	0
\$32-----	\$36-----	2.40	0	0	0	0	0	0	0	0	0	0
\$36-----	\$40-----	3.00	0	0	0	0	0	0	0	0	0	0
\$40-----	\$44-----	3.50	0	0	0	0	0	0	0	0	0	0
\$44-----	\$48-----	4.10	0	0	0	0	0	0	0	0	0	0
\$48-----	\$52-----	4.70	0	0	0	0	0	0	0	0	0	0
\$52-----	\$56-----	5.20	0	0	0	0	0	0	0	0	0	0
\$56-----	\$60-----	5.80	0	0	0	0	0	0	0	0	0	0
\$60-----	\$64-----	6.40	0	0	0	0	0	0	0	0	0	0
\$64-----	\$68-----	7.00	0	0	0	0	0	0	0	0	0	0
\$68-----	\$72-----	7.60	0	0	0	0	0	0	0	0	0	0
\$72-----	\$76-----	8.20	0	0	0	0	0	0	0	0	0	0
\$76-----	\$80-----	8.80	.40	0	0	0	0	0	0	0	0	0
\$80-----	\$84-----	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84-----	\$88-----	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88-----	\$92-----	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92-----	\$96-----	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96-----	\$100-----	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100-----	\$104-----	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104-----	\$108-----	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108-----	\$112-----	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112-----	\$116-----	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116-----	\$120-----	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120-----	\$124-----	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124-----	\$128-----	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128-----	\$132-----	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132-----	\$136-----	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136-----	\$140-----	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140-----	\$144-----	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144-----	\$148-----	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148-----	\$152-----	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152-----	\$156-----	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156-----	\$160-----	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160-----	\$164-----	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164-----	\$168-----	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168-----	\$172-----	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172-----	\$176-----	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176-----	\$180-----	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180-----	\$184-----	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184-----	\$188-----	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188-----	\$192-----	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192-----	\$196-----	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196-----	\$200-----	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200-----	\$204-----	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204-----	\$208-----	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208-----	\$212-----	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212-----	\$216-----	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216-----	\$220-----	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220-----	\$224-----	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224-----	\$228-----	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228-----	\$232-----	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232-----	\$236-----	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236-----	\$240-----	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240-----	\$248-----	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$248-----	\$256-----	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$256-----	\$264-----	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.50	3.00	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0
\$480	\$500	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	.90	0	0
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60
30 percent of the excess over \$1,520 plus—												
\$1,520 and over		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$16	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$16	\$0.20	0	0	0	0	0	0	0	0	0	0
\$16	\$20	.70	0	0	0	0	0	0	0	0	0	0
\$20	\$24	1.30	0	0	0	0	0	0	0	0	0	0
\$24	\$28	1.90	0	0	0	0	0	0	0	0	0	0
\$28	\$32	2.40	0	0	0	0	0	0	0	0	0	0
\$32	\$36	3.00	0	0	0	0	0	0	0	0	0	0
\$36	\$40	3.50	0	0	0	0	0	0	0	0	0	0
\$40	\$44	4.10	0	0	0	0	0	0	0	0	0	0
\$44	\$48	4.70	0	0	0	0	0	0	0	0	0	0
\$48	\$52	5.20	0	0	0	0	0	0	0	0	0	0
\$52	\$56	5.80	0	0	0	0	0	0	0	0	0	0
\$56	\$60	6.30	0	0	0	0	0	0	0	0	0	0
\$60	\$64	6.90	0	0	0	0	0	0	0	0	0	0
\$64	\$68	7.50	0	0	0	0	0	0	0	0	0	0
\$68	\$72	8.00	0	0	0	0	0	0	0	0	0	0
\$72	\$76	8.60	.40	0	0	0	0	0	0	0	0	0
\$76	\$80	9.10	1.00	0	0	0	0	0	0	0	0	0
\$80	\$84	9.70	1.50	0	0	0	0	0	0	0	0	0
\$84	\$88	10.30	2.10	0	0	0	0	0	0	0	0	0
\$88	\$92	10.80	2.70	0	0	0	0	0	0	0	0	0
\$92	\$96	11.40	3.20	0	0	0	0	0	0	0	0	0
\$96	\$100	12.00	3.80	0	0	0	0	0	0	0	0	0
\$100	\$104	12.60	4.30	0	0	0	0	0	0	0	0	0
\$104	\$108	13.20	4.90	0	0	0	0	0	0	0	0	0
\$108	\$112	13.80	5.50	0	0	0	0	0	0	0	0	0
\$112	\$116	14.40	6.00	0	0	0	0	0	0	0	0	0
\$116	\$120	15.00	6.60	0	0	0	0	0	0	0	0	0
\$120	\$124	15.60	7.10	0	0	0	0	0	0	0	0	0
\$124	\$128	16.20	7.70	0	0	0	0	0	0	0	0	0
\$128	\$132	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$132	\$136	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$136	\$140	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$140	\$144	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$144	\$148	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$148	\$152	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$152	\$156	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$156	\$160	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$160	\$164	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$164	\$168	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$168	\$172	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$172	\$176	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$176	\$180	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$180	\$184	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$184	\$188	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$188	\$192	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$192	\$196	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$196	\$200	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$200	\$204	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$204	\$208	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$208	\$212	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$212	\$216	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$216	\$220	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$220	\$224	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$224	\$228	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$228	\$232	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$232	\$236	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$236	\$240	33.00	24.20	15.50	7.10	0	0	0	0	0	0	0
\$240	\$244	33.60	24.80	16.10	7.70	0	0	0	0	0	0	0
\$244	\$248	34.20	25.40	16.70	8.30	.30	0	0	0	0	0	0
\$248	\$252	34.80	26.00	17.30	8.90	1.40	0	0	0	0	0	0
\$252	\$256	35.40	26.60	17.90	9.50	2.50	0	0	0	0	0	0
\$256	\$260	36.00	27.20	18.50	10.10	3.60	0	0	0	0	0	0
\$260	\$264	36.60	27.80	19.10	10.70	4.70	0	0	0	0	0	0
\$264	\$268	37.20	28.40	19.70	11.30	5.80	0	0	0	0	0	0
\$268	\$272	37.80	29.00	20.30	11.90	6.90	0	0	0	0	0	0
\$272	\$276	38.40	29.60	20.90	12.50	7.50	0	0	0	0	0	0
\$276	\$280	39.00	30.20	21.50	13.10	8.10	0	0	0	0	0	0
\$280	\$284	39.60	30.80	22.10	13.70	8.70	0	0	0	0	0	0
\$284	\$288	40.20	31.40	22.70	14.30	9.30	0	0	0	0	0	0
\$288	\$292	40.80	32.00	23.30	14.90	9.90	0	0	0	0	0	0
\$292	\$296	41.40	32.60	23.90	15.50	10.50	0	0	0	0	0	0
\$296	\$300	42.00	33.20	24.50	16.10	11.10	0	0	0	0	0	0
\$300	\$304	42.60	33.80	25.10	16.70	11.70	0	0	0	0	0	0
\$304	\$308	43.20	34.40	25.70	17.30	12.30	0	0	0	0	0	0
\$308	\$312	43.80	35.00	26.30	17.90	12.90	0	0	0	0	0	0
\$312	\$316	44.40	35.60	26.90	18.50	13.50	0	0	0	0	0	0
\$316	\$320	45.00	36.20	27.50	19.10	14.10	0	0	0	0	0	0
\$320	\$324	45.60	36.80	28.10	19.70	14.70	0	0	0	0	0	0
\$324	\$328	46.20	37.40	28.70	20.30	15.30	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.60	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	261.30	249.70	238.00	226.30	214.70
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	271.10	257.70	246.00	234.30	222.70
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	281.10	266.50	254.00	242.30	230.70
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	291.10	276.50	262.00	250.30	238.70
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	301.10	286.50	271.90	258.30	246.70
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	311.10	296.50	281.90	267.30	254.70
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	321.10	306.50	291.90	277.30	262.80
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	331.10	316.50	301.90	287.30	272.80
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	326.50	311.90	297.30	282.80
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	336.50	321.90	307.30	292.80
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	346.50	331.90	317.30	302.80
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	357.40	341.90	327.30	312.80
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.40	351.90	337.30	322.80
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	363.90	347.30	332.80
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	375.90	358.40	342.80
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	352.90
30 percent of the excess over \$2,440 plus—												
\$2,440 and over...		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
		14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0-----	\$0.75-----	\$0.05	0	0	0	0	0	0	0	0	0	0
\$0.75-----	\$1.00-----	.10	0	0	0	0	0	0	0	0	0	0
\$1.00-----	\$1.25-----	.10	0	0	0	0	0	0	0	0	0	0
\$1.25-----	\$1.50-----	.10	0	0	0	0	0	0	0	0	0	0
\$1.50-----	\$1.75-----	.15	0	0	0	0	0	0	0	0	0	0
\$1.75-----	\$2.00-----	.20	0	0	0	0	0	0	0	0	0	0
\$2.00-----	\$2.25-----	.20	0	0	0	0	0	0	0	0	0	0
\$2.25-----	\$2.50-----	.25	0	0	0	0	0	0	0	0	0	0
\$2.50-----	\$2.75-----	.30	0	0	0	0	0	0	0	0	0	0
\$2.75-----	\$3.00-----	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00-----	\$3.25-----	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25-----	\$3.50-----	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50-----	\$3.75-----	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75-----	\$4.00-----	.50	.20	0	0	0	0	0	0	0	0	0
\$4.00-----	\$4.25-----	.55	.25	0	0	0	0	0	0	0	0	0
\$4.25-----	\$4.50-----	.60	.25	0	0	0	0	0	0	0	0	0
\$4.50-----	\$4.75-----	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75-----	\$5.00-----	.65	.35	.05	0	0	0	0	0	0	0	0
\$5.00-----	\$5.25-----	.70	.40	.10	0	0	0	0	0	0	0	0
\$5.25-----	\$5.50-----	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.50-----	\$5.75-----	.80	.45	.15	0	0	0	0	0	0	0	0
\$5.75-----	\$6.00-----	.85	.50	.20	0	0	0	0	0	0	0	0
\$6.00-----	\$6.25-----	.90	.55	.25	0	0	0	0	0	0	0	0
\$6.25-----	\$6.50-----	.90	.60	.30	0	0	0	0	0	0	0	0
\$6.50-----	\$6.75-----	.95	.65	.30	.05	0	0	0	0	0	0	0
\$6.75-----	\$7.00-----	1.00	.70	.35	.10	0	0	0	0	0	0	0
\$7.00-----	\$7.25-----	1.05	.70	.40	.10	0	0	0	0	0	0	0
\$7.25-----	\$7.50-----	1.10	.75	.45	.15	0	0	0	0	0	0	0
\$7.50-----	\$7.75-----	1.15	.80	.50	.20	0	0	0	0	0	0	0
\$7.75-----	\$8.00-----	1.20	.85	.55	.20	0	0	0	0	0	0	0
\$8.00-----	\$8.25-----	1.20	.90	.55	.25	0	0	0	0	0	0	0
\$8.25-----	\$8.50-----	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$8.50-----	\$8.75-----	1.30	1.00	.65	.35	.05	0	0	0	0	0	0
\$8.75-----	\$9.00-----	1.35	1.00	.70	.35	.10	0	0	0	0	0	0
\$9.00-----	\$9.25-----	1.40	1.05	.75	.40	.15	0	0	0	0	0	0
\$9.25-----	\$9.50-----	1.45	1.10	.80	.45	.15	0	0	0	0	0	0
\$9.50-----	\$9.75-----	1.45	1.15	.80	.50	.20	0	0	0	0	0	0
\$9.75-----	\$10.00-----	1.50	1.20	.85	.55	.25	0	0	0	0	0	0
\$10.00-----	\$10.50-----	1.60	1.25	.95	.60	.30	0	0	0	0	0	0
\$10.50-----	\$11.00-----	1.65	1.35	1.00	.70	.35	.10	0	0	0	0	0
\$11.00-----	\$11.50-----	1.75	1.40	1.10	.75	.45	.15	0	0	0	0	0
\$11.50-----	\$12.00-----	1.85	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$12.00-----	\$12.50-----	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0	0
\$12.50-----	\$13.00-----	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0	0
\$13.00-----	\$13.50-----	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0	0
\$13.50-----	\$14.00-----	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$14.00-----	\$14.50-----	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0	0
\$14.50-----	\$15.00-----	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$15.00-----	\$15.50-----	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0	0
\$15.50-----	\$16.00-----	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0	0
\$16.00-----	\$16.50-----	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0	0
\$16.50-----	\$17.00-----	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0	0
\$17.00-----	\$17.50-----	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0	0
\$17.50-----	\$18.00-----	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0	0
\$18.00-----	\$18.50-----	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05	0
\$18.50-----	\$19.00-----	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15	0
\$19.00-----	\$19.50-----	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20	0
\$19.50-----	\$20.00-----	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30	0
\$20.00-----	\$21.00-----	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40	.10
\$21.00-----	\$22.00-----	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25
\$22.00-----	\$23.00-----	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40
\$23.00-----	\$24.00-----	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55
\$24.00-----	\$25.00-----	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75
\$25.00-----	\$26.00-----	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90
\$26.00-----	\$27.00-----	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40	1.10

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$27.00---	\$28.00---	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60	\$1.25
\$28.00---	\$29.00---	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75	1.40
\$29.00---	\$30.00---	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00---	\$31.00---	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00---	\$32.00---	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00---	\$33.00---	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00---	\$34.00---	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00---	\$35.00---	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00---	\$36.00---	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00---	\$37.00---	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30	2.95
\$37.00---	\$38.00---	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50	3.15
\$38.00---	\$39.00---	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.55	4.10	3.70	3.35
\$39.00---	\$40.00---	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00---	\$41.00---	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00---	\$42.00---	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00---	\$43.00---	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00---	\$44.00---	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00---	\$45.00---	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00---	\$46.00---	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00---	\$47.00---	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00---	\$48.00---	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00---	\$49.00---	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00---	\$50.00---	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
		30 percent of the excess over \$50 plus—										
\$50 and over-----		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.00

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
		14% of wages										
\$0	\$0.75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75	\$1.00	\$0.05	0	0	0	0	0	0	0	0	0	0
\$1.00	\$1.25	.10	0	0	0	0	0	0	0	0	0	0
\$1.25	\$1.50	.10	0	0	0	0	0	0	0	0	0	0
\$1.50	\$1.75	.15	0	0	0	0	0	0	0	0	0	0
\$1.75	\$2.00	.20	0	0	0	0	0	0	0	0	0	0
\$2.00	\$2.25	.20	0	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.25	0	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.30	0	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75	\$5.00	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00	\$5.25	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25	\$5.50	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50	\$5.75	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75	\$6.00	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00	\$6.25	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25	\$6.50	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50	\$6.75	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75	\$7.00	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00	\$7.25	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25	\$7.50	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50	\$7.75	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75	\$8.00	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00	\$8.25	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25	\$8.50	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50	\$8.75	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75	\$9.00	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00	\$9.25	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25	\$9.50	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50	\$9.75	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75	\$10.00	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00	\$10.50	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50	\$11.00	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00	\$11.50	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50	\$12.00	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00	\$12.50	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50	\$13.00	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00	\$13.50	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50	\$14.00	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0
\$14.00	\$14.50	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50	\$15.00	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00	\$15.50	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50	\$16.00	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00	\$16.50	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50	\$17.00	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00	\$17.50	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50	\$18.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00	\$18.50	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50	\$19.00	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00	\$19.50	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50	\$20.00	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00	\$21.00	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00	\$22.00	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00	\$23.00	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00	\$24.00	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00	\$25.00	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$25.00---	\$26.00---	\$4.05	\$3.65	\$3.35	\$3.00	\$2.70	\$2.35	\$2.05	\$1.70	\$1.40	\$1.15	\$.85
\$26.00---	\$27.00---	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00---	\$28.00---	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00---	\$29.00---	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00---	\$30.00---	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00---	\$31.00---	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00---	\$32.00---	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00---	\$33.00---	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00---	\$34.00---	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00---	\$35.00---	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00---	\$36.00---	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00---	\$37.00---	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00---	\$38.00---	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00---	\$39.00---	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00---	\$40.00---	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00---	\$41.00---	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00---	\$42.00---	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00---	\$43.00---	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00---	\$44.00---	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00---	\$45.00---	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00---	\$46.00---	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00---	\$47.00---	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00---	\$48.00---	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00---	\$49.00---	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00---	\$50.00---	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00---	\$51.00---	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00---	\$52.00---	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00---	\$53.00---	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00---	\$54.00---	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00---	\$55.00---	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00---	\$56.00---	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00---	\$57.00---	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00---	\$58.00---	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00---	\$59.00---	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00---	\$60.00---	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00---	\$61.00---	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00---	\$62.00---	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00---	\$63.00---	12.25	11.65	11.15	10.70	10.20	9.75	9.25	8.75	8.35	7.95	7.60
\$63.00---	\$64.00---	12.55	11.95	11.40	10.95	10.45	10.00	9.50	9.00	8.55	8.15	7.80
\$64.00---	\$65.00---	12.85	12.25	11.70	11.20	10.70	10.25	9.75	9.25	8.80	8.35	8.00
\$65.00---	\$66.00---	13.15	12.55	12.00	11.45	10.95	10.50	10.00	9.50	9.05	8.55	8.20
\$66.00---	\$67.00---	13.45	12.85	12.30	11.70	11.20	10.75	10.25	9.75	9.30	8.80	8.40
\$67.00---	\$68.00---	13.75	13.15	12.60	12.00	11.45	11.00	10.50	10.00	9.55	9.05	8.60
\$68.00---	\$69.00---	14.05	13.45	12.90	12.30	11.75	11.25	10.75	10.25	9.80	9.30	8.85
\$69.00---	\$70.00---	14.35	13.75	13.20	12.60	12.05	11.50	11.00	10.50	10.05	9.55	9.10
\$70.00---	\$71.00---	14.65	14.05	13.50	12.90	12.35	11.75	11.25	10.75	10.30	9.80	9.35
\$71.00---	\$72.00---	14.95	14.35	13.80	13.20	12.65	12.05	11.50	11.00	10.55	10.05	9.60
\$72.00---	\$73.00---	15.25	14.65	14.10	13.50	12.95	12.35	11.80	11.25	10.80	10.30	9.85
\$73.00---	\$74.00---	15.55	14.95	14.40	13.80	13.25	12.65	12.10	11.50	11.05	10.55	10.10
\$74.00---	\$75.00---	15.85	15.25	14.70	14.10	13.55	12.95	12.40	11.80	11.30	10.80	10.35
\$75.00---	\$76.00---	16.15	15.55	15.00	14.40	13.85	13.25	12.70	12.10	11.55	11.05	10.60
\$76.00---	\$77.00---	16.45	15.85	15.30	14.70	14.15	13.55	13.00	12.40	11.85	11.30	10.85
\$77.00---	\$78.00---	16.75	16.15	15.60	15.00	14.45	13.85	13.30	12.70	12.15	11.55	11.10
\$78.00---	\$79.00---	17.05	16.45	15.90	15.30	14.75	14.15	13.60	13.00	12.45	11.85	11.35
\$79.00---	\$80.00---	17.35	16.75	16.20	15.60	15.05	14.45	13.90	13.30	12.75	12.15	11.60
		30 percent of the excess over \$80 plus—										
\$80 and over-----		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

1 (d) DISCLOSURE OF MARITAL STATUS; DETERMINA-
2 TION OF MARITAL STATUS; TREATMENT OF SURVIVING
3 SPOUSE.—Section 3402 (relating to income tax collected at
4 source) is amended by adding at the end thereof the follow-
5 ing new subsection:

6 “(1) DETERMINATION AND DISCLOSURE OF MARITAL
7 STATUS.—

8 “(1) DETERMINATION OF STATUS BY EM-
9 PLOYER.—For purposes of applying the tables in sub-
10 sections (a) and (c) to a payment of wages, the em-
11 ployer shall treat the employee as a single person unless
12 there is in effect with respect to such payment of wages
13 a withholding exemption certificate furnished to the em-
14 ployer by the employee after the date of the enactment
15 of this subsection indicating that the employee is
16 married.

17 “(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An
18 employee shall be entitled to furnish the employer with
19 a withholding exemption certificate indicating he is mar-
20 ried only if, on the day of such furnishing, he is married
21 (determined with the application of the rules in para-

graph (3)). An employee whose marital status changes from married to single shall, at such time as the Secretary or his delegate may by regulations prescribe, furnish the employer with a new withholding exemption certificate.

“(3) DETERMINATION OF MARITAL STATUS.—For purposes of paragraph (2), an employee shall on any day be considered—

“(A) as not married, if (i) he is legally separated from his spouse under a decree of divorce or separate maintenance, or (ii) either he or his spouse is, or on any preceding day within the calendar year was, a nonresident alien; or

“(B) as married, if (i) his spouse (other than a spouse referred to in subparagraph (A)) died within the portion of his taxable year which precedes such day, or (ii) his spouse died during one of the two taxable years immediately preceding the current taxable year and, on the basis of facts existing at the beginning of such day, the employee reasonably expects, at the close of his taxable year, to be a surviving spouse (as defined in section 2 (b)).”

(e) WITHHOLDING ALLOWANCES FOR ITEMIZED DEDUCTIONS.—

(1) ALLOWANCE.—Section 3402 (f) (1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of —

1 “(A) his estimated itemized deductions, over

2 “(B) an amount equal to the sum of 12 per-

3 cent of the first \$7,500 of his estimated wages and

4 17 percent of the remainder of his estimated wages.

5 For purposes of this subsection, fractional numbers shall

6 not be taken into account.

7 “(2) DEFINITIONS.—For purposes of this sub-

8 section—

9 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—

10 The term ‘estimated itemized deductions’ means the

11 aggregate amount which he reasonably expects will

12 be allowable as deductions under chapter 1 (other

13 than the deductions referred to in sections 141 and

14 151 and other than the deductions required to be

15 taken into account in determining adjusted gross

16 income under section 62) for the estimation year.

17 In no case shall such aggregate amount be greater

18 than the amount of such deductions shown on his

19 return of tax under subtitle A for the taxable year

20 preceding the estimation year.

21 “(B) ESTIMATED WAGES.—The term ‘esti-

22 mated wages’ means the aggregate amount which he

23 reasonably expects will constitute wages for the

24 estimation year. In no case shall such aggregate

1 amount be less than the amount of wages shown
2 on his return for the taxable year preceding the
3 estimation year.

4 “(C) ESTIMATION YEAR.—In the case of an
5 employee who files his return on the basis of a
6 calendar year, the term ‘estimation year’ means—

7 “(i) with respect to payments of wages
8 after April 30 and on or before December 31
9 of any calendar year, such calendar year, and

10 “(ii) with respect to payments of wages
11 on or after January 1 and before May 1 of any
12 calendar year, the preceding calendar year (or,
13 if the employee has filed a return for the pre-
14 ceding calendar year, and if he has in effect
15 a withholding allowance under this subsection
16 based on using the current calendar year as
17 the estimation year, such current calendar
18 year).

19 In the case of an employee who files his return on
20 a basis other than the calendar year, his estimation
21 year, and the amounts deducted and withheld to be
22 governed by such estimation year, shall be deter-
23 mined under regulations prescribed by the Secretary
24 or his delegate.

1 “(3) SPECIAL RULES.—

2 “(A) MARRIED INDIVIDUALS.—The number of
3 withholding allowances to which a husband and
4 wife are entitled under this subsection shall be de-
5 termined on the basis of their combined wages and
6 deductions. This subparagraph shall not apply to a
7 husband and wife who filed separate returns for the
8 taxable year preceding the estimation year and who
9 reasonably expect to file separate returns for the
10 estimation year.

11 “(B) ONLY ONE CERTIFICATE TO BE IN
12 EFFECT.—In the case of any employee, withhold-
13 ing allowances under this subsection may not be
14 claimed with more than one employer at any one
15 time.

16 “(C) TERMINATION OF EFFECTIVENESS.—In
17 the case of an employee who files his return on the
18 basis of a calendar year, that portion of a withhold-
19 ing exemption certificate which relates to allow-
20 ances under this subsection shall not be effective
21 with respect to payments of wages after the first
22 April 30 following the close of the estimation year
23 on which it is based.

24 “(D) LIMITATION.—The Secretary or his
25 delegate may by regulations provide that one or

more of the withholding allowances to which an employee would, but for this subparagraph, be entitled under this subsection shall be denied because such employee's estimated wages are above the level at which the amounts deducted and withheld under this chapter are generally sufficient to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld.

“(E) AUTHORITY TO PRESCRIBE TABLES.—

The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. Such tables may be based on reasonable wage and itemized deduction brackets.

“(F) TREATMENT OF ALLOWANCES.—For

purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding exemption.”

(3) STATUS DETERMINATION DATE.—The last sen-

tence of section 3402 (f) (3) (B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) CIVIL PENALTY.—

1 (A) Subchapter B of chapter 68 (relating to
2 assessable penalties) is amended by adding at the
3 end thereof the following new section:

4 **“SEC. 6682. FALSE INFORMATION WITH RESPECT TO**
5 **WITHHOLDING ALLOWANCES BASED ON**
6 **ITEMIZED DEDUCTIONS.**

7 “(a) CIVIL PENALTY.—In addition to any criminal
8 penalty provided by law, if any individual in claiming a
9 withholding allowance under section 3402 (f) (1) (F) states
10 (1) that the wages (within the meaning of chapter 24)
11 shown on his return for any taxable year were less than
12 such wages actually shown, or (2) that the itemized deduc-
13 tions referred to in section 3402 (m) on the return for any
14 taxable year were greater than such deductions actually
15 shown, he shall pay a penalty of \$50 for each such state-
16 ment, unless (1) such statement did not result in a decrease
17 in the amounts deducted and withheld under chapter 24, or
18 (2) the taxes imposed with respect to the individual under
19 subtitle A for the succeeding taxable year do not exceed
20 the sum of (A) the credits against such taxes allowed by
21 part IV of subchapter A of chapter 1, and (B) the pay-
22 ments of estimated tax which are considered payments on
23 account of such taxes.

24 “(b) DEFICIENCY PROCEDURES NOT TO APPLY.—
25 Subchapter B of chapter 63 (relating to deficiency pro-

cedures for income, estate, and gift taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

“Sec. 6682. False information with respect to withholding allowances based on itemized deductions.”

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended—

(A) by striking out “section 3402 (f)” and inserting in lieu thereof “section 3402”, and

(B) by striking out “any penalty otherwise provided” and inserting in lieu thereof “any other penalty provided by law (except the penalty provided by section 6682)”.

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402 (f) (3) (B) of the Internal

1 Revenue Code of 1954, a withholding exemption certificate
 2 furnished the employer after the date of the enactment of
 3 this Act and before May 1, 1966, shall take effect with
 4 respect to the first payment of wages made on or after
 5 May 1, 1966, or the 10th day after the date on which such
 6 certificate is furnished to the employer, whichever is later,
 7 and at the election of the employer such certificate may
 8 be made effective with respect to any payment of wages
 9 made on or after the date on which such certificate is
 10 furnished.

11 (g) EFFECTIVE DATE.—The amendments made by
 12 this section (other than subsection (e)) shall apply only
 13 with respect to remuneration paid after April 30, 1966.

14 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

15 (a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-
 16 MATED TAX.—Section 6015 (c) (relating to definition of
 17 estimated tax in the case of an individual) is amended to
 18 read as follows:

19 “(c) ESTIMATED TAX.—For purposes of this title, in
 20 the case of an individual, the term ‘estimated tax’ means—

21 “(1) the amount which the individual estimates as
 22 the amount of the income tax imposed by chapter 1
 23 for the taxable year, plus

24 “(2) the amount which the individual estimates

as the amount of the self-employment tax imposed by chapter 2 for the taxable year, minus

“(3) the amount which the individual estimates as the sum of any credits against tax provided by part IV of subchapter A of chapter 1.”

(b) ADDITION TO TAX FOR UNDERPAYMENT OF ESTIMATED TAX.—

(1) Section 6654 (a) (relating to addition to the tax for underpayment of estimated tax by an individual) is amended by inserting after “chapter 1” the following: “and the tax under chapter 2”.

(2) Section 6654 (d) is amended to read as follows:

“(d) EXCEPTION.—Notwithstanding the provisions of the preceding subsections, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

“(1) The tax shown on the return of the individual for the preceding taxable year, if a return showing a

1 liability for tax was filed by the individual for the pre-
2 ceding taxable year and such preceding year was a
3 taxable year of 12 months.

4 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
5 in the case of individuals referred to in section 6073 (b),
6 relating to income from farming or fishing) of the tax
7 for the taxable year computed by placing on an annual-
8 ized basis the taxable income for the months in the
9 taxable year ending before the month in which the
10 installment is required to be paid and by taking into
11 account the adjusted self-employment income (if the
12 net earnings from self-employment (as defined in sec-
13 tion 1402 (a)) for the taxable year equal or exceed
14 \$400). For purposes of this paragraph—

15 “(A) The taxable income shall be placed on
16 an annualized basis by—

17 “(i) multiplying by 12 (or, in the case
18 of a taxable year of less than 12 months, the
19 number of months in the taxable year) the tax-
20 able income (computed without deduction of
21 personal exemptions) for the months in the tax-
22 able year ending before the month in which the
23 installment is required to be paid,

1 “(ii) dividing the resulting amount by the
2 number of months in the taxable year ending
3 before the month in which such installment date
4 falls, and

5 “(iii) deducting from such amount the de-
6 ductions for personal exemptions allowable for
7 the taxable year (such personal exemptions
8 being determined as of the last date prescribed
9 for payment of the installment).

10 “(B) The term ‘adjusted self-employment in-
11 come’ means—

12 “(i) the net earnings from self-employ-
13 ment (as defined in section 1402 (a)) for the
14 months in the taxable year ending before the
15 month in which the installment is required to
16 be paid, but not more than

17 “(ii) the excess of \$6,600 over the amount
18 determined by placing the wages (within the
19 meaning of section 1402 (b)) for the months in
20 the taxable year ending before the month in
21 which the installment is required to be paid on
22 an annualized basis in a manner consistent with
23 clauses (i) and (ii) of subparagraph (A).

1 “(3) An amount equal to 90 percent of the tax
2 computed, at the rates applicable to the taxable year,
3 on the basis of the actual taxable income and the actual
4 self-employment income for the months in the taxable
5 year ending before the month in which the installment
6 is required to be paid as if such months constituted the
7 taxable year.

8 “(4) An amount equal to the tax computed, at the
9 rates applicable to the taxable year, on the basis of the
10 taxpayer's status with respect to personal exemptions
11 under section 151 for the taxable year, but otherwise on
12 the basis of the facts shown on his return for, and the
13 law applicable to, the preceding taxable year.”

14 (3) Section 6654 (f) (relating to definition of tax
15 for purposes of subsections (b) and (d) of section 6654)
16 is amended to read as follows:

17 “(f) TAX COMPUTED AFTER APPLICATION OF
18 CREDITS AGAINST TAX.—For purposes of subsections (b)
19 and (d), the term ‘tax’ means—

20 “(1) the tax imposed by chapter 1, plus

1 “(2) the tax imposed by chapter 2, minus

2 “(3) the credits against tax allowed by part IV
3 of subchapter A of chapter 1, other than the credit
4 against tax provided by section 31 (relating to tax
5 withheld on wages).”

6 (4) Section 7701 (a) (relating to definitions) is
7 amended by adding at the end thereof the following
8 new paragraph:

9 “(34) ESTIMATED INCOME TAX.—The term ‘esti-
10 mated income tax’ means—

11 “(A) in the case of an individual, the esti-
12 mated tax as defined in section 6015 (c), or

13 “(B) in the case of a corporation, the esti-
14 mated tax as defined in section 6016 (b).”

15 (5) Section 1403 (b) (cross references) is
16 amended by adding at the end thereof the following new
17 paragraph:

 “(3) For provisions relating to declarations of esti-
 mated tax on self-employment income, see section 6015.”

18 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
19 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402 (e)

1 (3) (relating to effective date of waiver certificates) is
2 amended by adding at the end thereof the following new
3 subparagraph:

4 “(E) For purposes of sections 6015 and 6654,
5 a waiver certificate described in paragraph (1)
6 shall be treated as taking effect on the first day of
7 the first taxable year beginning after the date on
8 which such certificate is filed.”

9 (d) EFFECTIVE DATE.—The amendments made by sub-
10 sections (a), (b), and (c) shall apply with respect to tax-
11 able years beginning after December 31, 1966.

12 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
13 **MATED INCOME TAX IN CASE OF INDIVID-**
14 **UALS.**

15 (a) IN GENERAL.—Section 6654 (b) (relating to
16 amount of underpayment), and section 6654 (d) (relating
17 to exception) as amended by section 102 (b) (2) of this
18 Act, are amended by striking out “70 percent” each place
19 it appears and inserting in lieu thereof “80 percent”.

20 (b) EFFECTIVE DATE.—The amendments made by

1 subsection (a) shall apply with respect to taxable years
 2 beginning after December 31, 1966.

3 **SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-**
 4 **COME TAX BY CORPORATIONS.**

5 (a) **IN GENERAL.**—Subsection (a) of section 6154
 6 (relating to installment payments of estimated income tax
 7 by corporations) is amended to read as follows:

8 “(a) **AMOUNT AND TIME FOR PAYMENT OF EACH**
 9 **INSTALLMENT.**—The amount of estimated tax (as defined
 10 in section 6016(b)) with respect to which a declaration
 11 is required under section 6016 shall be paid as follows:

12 “(1) **TAXABLE YEARS BEGINNING IN 1966.**—
 13 With respect to taxable years beginning after Decem-
 14 ber 31, 1965, and before January 1, 1967, such esti-
 15 mated tax shall be paid in installments in accordance
 16 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

18 “(2) **TAXABLE YEARS BEGINNING AFTER 1966.**—

19 With respect to taxable years beginning after December

1 31, 1966, such estimated tax shall be paid in install-
 2 ments in accordance with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

3 “(3) TIMELY FILING.—A declaration is timely
 4 filed for the purposes of paragraphs (1) and (2) if it is
 5 not required by section 6074 (a) to be filed on a date
 6 (determined without regard to any extension of time
 7 for filing the declaration under section 6081) before
 8 the date it is actually filed.

9 “(4) LATE FILING.—If the declaration is filed after
 10 the time prescribed in section 6074 (a) (determined
 11 without regard to any extension of time for filing the
 12 declaration under section 6081), there shall be paid at
 13 the time of such filing all installments of estimated tax
 14 which would have been payable on or before such time
 15 if the declaration had been filed within the time pre-
 16 scribed in section 6074 (a), and the remaining install-
 17 ments shall be paid at the times at which, and in the
 18 amounts in which, they would have been payable if the
 19 declaration had been so filed.”

1 (b) **EFFECTIVE DATE.**—The amendment made by sub-
 2 section (a) shall apply with respect to taxable years begin-
 3 ning after December 31, 1965.

4 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
 5 **TAX RATE REDUCTIONS**

6 **SEC. 201. PASSENGER AUTOMOBILES.**

7 (a) **POSTPONEMENT OF RATE REDUCTIONS.**—Sub-
 8 paragraph (A) of section 4061 (a) (2) (relating to im-
 9 position of tax) is amended to read as follows:

10 “(A) Articles enumerated in subparagraph (B)
 11 are taxable at whichever of the following rates is
 12 applicable:

13 “7 percent for the period beginning with the day
 14 after the date of the enactment of the Tax
 15 Adjustment Act of 1966 through March 31,
 16 1968.

17 “2 percent for the period April 1, 1968, through
 18 December 31, 1968.

19 “1 percent for the period after December 31, 1968.”

20 (b) **FLOOR STOCKS TAX.**—Section 4226 (relating to
 21 floor stocks taxes) is amended—

22 (1) By adding at the end of subsection (a) the
 23 following new paragraph:

24 “(8) **1966 TAX ON AUTOMOBILES.**—On any arti-

1 cle subject to tax under section 4061 (a) (2) which on
 2 the day after the date of the enactment of the Tax
 3 Adjustment Act of 1966 is held by a dealer and has not
 4 been used and is intended for sale, there is imposed a
 5 floor stocks tax at the rate of 1 percent of the price for
 6 which the article was sold by the manufacturer, pro-
 7 ducer, or importer. Under regulations prescribed by the
 8 Secretary or his delegate, the tax imposed under this
 9 paragraph shall be paid by such dealer and shall be col-
 10 lected from him by the manufacturer, producer, or im-
 11 porter.”

12 (2) By amending subsection (d) —

13 (A) by striking out “and except” and insert-
 14 ing in lieu thereof “except”, and

15 (B) by striking out “delegate.” and inserting
 16 in lieu thereof “delegate, and except that the tax
 17 imposed by paragraph (8) shall be paid at such
 18 time after 60 days after the date of enactment of
 19 the Tax Adjustment Act of 1966 as may be pre-
 20 scribed by the Secretary or his delegate.”

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 6412 (a) (1) (relating to floor stocks
 23 refunds on passenger automobiles, etc.) is amended by
 24 striking out “January 1, 1966, 1967, 1968, or 1969,”

and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969,”.

(2) Section 209 (c) (1) (G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out “section 4226 (a)” and inserting in lieu thereof “section 4226 (a) (other than paragraph (8) thereof)”.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a) (2) and inserting in lieu thereof:

“(2) The rate of tax referred to in paragraph (1) is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“Before April 1, 1968-----	10
“After March 31, 1968, and before January 1, 1969-----	1”

(2) By striking out subsection (c) and inserting in lieu thereof:

“(c) SPECIAL RULE.—For purposes of subsection (a), in the case of communications services rendered before Feb-

1 ruary 1, 1968, for which a bill has not been rendered before
2 April 1, 1968, a bill shall be treated as having been first
3 rendered on March 31, 1968. For purposes of subsections
4 (a) and (b), in the case of communications services ren-
5 dered after January 31, 1968, and before November 1,
6 1968, for which a bill has not been rendered before Jan-
7 uary 1, 1969, a bill shall be treated as having been first
8 rendered on December 31, 1968.”

9 (b) **NONPROFIT HOSPITALS.**—Section 4253 (relating
10 to exemptions from tax on communications) is amended by
11 adding at the end thereof the following new subsection:

12 “(h) **NONPROFIT HOSPITALS.**—No tax shall be im-
13 posed under section 4251 on any amount paid by a non-
14 profit hospital for services furnished to such organization.
15 For purposes of this subsection, the term ‘nonprofit hospital’
16 means a hospital referred to in section 503 (b) (5) which is
17 exempt from income tax under section 501 (a).”

18 (c) **EFFECTIVE DATE.**—The amendments made by sub-
19 sections (a) and (b) shall apply to amounts paid pursuant
20 to bills first rendered on or after the first day of the first
21 month which begins more than 15 days after the date on
22 which this Act is enacted for services rendered on or after
23 such first day. In the case of amounts paid pursuant to bills
24 rendered on or after such first day for services which were

1 rendered before such first day and for which no previous bill
2 was rendered, such amendments shall apply except with re-
3 spect to such services as were rendered more than 2 months
4 before such first day. In the case of services rendered more
5 than 2 months before such first day, the provisions of sub-
6 chapter B of chapter 33 of the Code in effect at the time such
7 services were rendered, subject to the provision of section
8 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
9 apply to the amounts paid for such services.

A BILL

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

By Mr. MULLS

FEBRUARY 10, 1966

Referred to the Committee on Ways and Means

Nominations: One judicial, and numerous civilian nominations were received. Pages 2865-2866

Record Votes: Two record votes were taken today.

Pages 2744, 2753

Quorum Call: One quorum call was taken today.

Pages 2743-2744

Program for Monday: Senate met at 10 a.m. and adjourned at 3:10 p.m. until 10 a.m. Monday, February 14, when it will meet and immediately adjourn without transaction of any business until noon Wednesday, February 16, when it will consider its unfinished business S. 2791, supplemental military procurement authorizations. Pages 2756, 2865

Committee Meetings

(Committees not listed did not meet)

INSPECTIONS AND QUARANTINES

Committee on Commerce: Committee concluded hearings on S. 1596, to modernize practices of the Federal Government relating to inspection of persons, merchandise, and conveyances moving into, through, and out of the U.S., after receiving testimony from Stuart G. Tipton, president, Air Transport Association of America; John J. Murphy, president, National Customs Service Association; Thomas C. Gibney, U.S. Immigration-

Naturalization Officers' Association; Charles Famulari, U.S. Customs Inspectors Association, port of New York, and the National Association of Custom Inspectors; Ralph B. Dewey, Pacific American Steamship Association, San Francisco; Gerald D. Finney, Association of American Railroads; William K. Lawton, National Business Aircraft Association; Robert E. Monroe, Aircraft Owners & Pilots Association; and Frank K. Smith, National Aviation Trades Association.

VIETNAM

Committee on Foreign Relations: Committee heard former Ambassador George Kennan testify and answer questions in regard to U.S. policy in Vietnam.

Hearings are tentatively scheduled to continue on Thursday and Friday, February 17 and 18.

TRAFFIC SAFETY

Committee on Government Operations: Subcommittee on Executive Reorganization resumed its hearings on the role of the Federal Government in traffic safety matters, having as its witness Ralph Nader, of the District of Columbia, and formerly of Connecticut, who is author of the book "Unsafe at Any Speed."

Subcommittee announced that hearings will continue sometime early in March, the date of which is as yet unannounced.

House of Representatives

Chamber Action

Bills Introduced: 27 public bills, H.R. 12752-12778; 5 private bills, H.R. 12779-12783; and 7 resolutions, H.J. Res. 833 and 834, H. Con. Res. 586 and 587, and H. Res. 727-729, were introduced. Pages 2726-2727

New Member Sworn: Representative Walter B. Jones of the First Congressional District of North Carolina appeared in the well of the House and took the oath of office. Page 2695

Legislative Program: The legislative program for the week of February 14 to 19 was announced by the majority leader. Agreed to House adjournment from Thursday to Monday. Pages 2695-2696

Veterans' Benefits Bill: The House concurred in Senate amendments to a House amendment to S. 9, the Veterans' Readjustment Benefits Act of 1966, thus clearing the legislation for the White House. Pages 2696

Boards of Visitors: The House heard a reading of communications from the chairman of the Committee on Merchant Marine and Fisheries in which he appointed the following Members to serve with him on the Board of Visitors to the following academies:

U.S. Coast Guard Academy: Representatives Lennon, Clark, and Grover; and

U.S. Merchant Marine Academy: Representatives Downing, Murphy, and Mosher. Page 2701

Presidential Message—Reorganization Plan No. 1: Received and read a message from the President regarding Reorganization Plan No. 1 of 1966 (civil rights)—referred to the Committee on Government Operations and ordered printed as a House document (H. Doc. 379). Pages 2701-2702

Presidential Message—Food for Freedom: Received and read a Presidential message regarding food for freedom. The message was referred to the Committee on Agriculture and ordered printed as a House document (H. Doc. 378). Pages 2703-2705

Late Reports: Committee on Interior and Insular Affairs was granted permission to file sundry reports by midnight Saturday, February 12. Similar authority was granted to the Committee on Ways and Means to file a report by midnight Tuesday, February 15. Page 2717

Calendar Wednesday: Agreed to dispense with Calendar Wednesday business of February 16. Page 2969

Program for Monday: Adjourned at 1:29 p.m. until Monday, February 14, 1966, at 12 o'clock noon. For program see Congressional Program Ahead in this DIGEST.

Committee Meetings

PENDING LEGISLATION

Committee on Banking and Currency: Subcommittee on Bank Supervision and Insurance met in executive session on pending legislation. No announcements were made.

DOLLAR DRAIN

Committee on Government Operations: Subcommittee on Research and Technical Programs met in open session on the dollar drain caused by U.S. research support of foreign scientists. Testimony was heard from Spoford G. English, Assistant General Manager for Research and Development, Atomic Energy Commission; James F. Kelly, Comptroller, Health, Education, and Welfare; Finn J. Larsen, Deputy Director of Defense Research and Engineering; Thomas L. K. Smull, Special Assistant to Administrator, National Aeronautics and Space Administration; and John T. Wilson, Deputy Director, National Science Foundation.

SCRIP RIGHTS

Committee on Interior and Insular Affairs: Subcommittee on Public Lands met in executive session and deferred further consideration of H.R. 10193, to amend the act of August 31, 1964 (78 Stat. 751), relating to the satisfaction of scrip and similar rights. Testimony was heard from John A. Carter, Jr., Under Secretary, Department of the Interior.

STATE TAXATION

Committee on the Judiciary: Special Subcommittee on State Taxation of Interstate Commerce continued hearings on H.R. 11798, to regulate and foster commerce among the States by providing a system of interstate commerce. Testimony was heard from public witnesses.

MERCHANT SHIPPING TO VIETNAM

Committee on Merchant Marine and Fisheries: Subcommittee on Merchant Marine met in open session and continued on the shipping situation in Vietnam. Testimony was heard from a public witness.

MANPOWER

Committee on Post Office and Civil Service: Subcommittee on Manpower met in executive session with representatives of the Air Force and discussed manpower and personnel problems. Testimony was heard from Norman S. Paul, Under Secretary of the Air Force; and John Lang, Special Assistant for Manpower, Personnel, and Reserve Forces.

KU KLUX KLAN

Committee on Un-American Activities: Subcommittee continued hearings on the activities of Ku Klux Klan organizations. Testimony was heard from Klan witnesses.

TAX PROPOSALS

Committee on Ways and Means: Met in executive session and ordered reported favorably to the House H.R. 12752, the Tax Adjustment Act of 1966.

Joint Committee Meetings

PRESIDENT'S ECONOMIC REPORT

Joint Economic Committee: Committee concluded its series of hearings on the President's Economic Report, after receiving testimony from Henry W. Briefs, department of economics, Georgetown University; Neil H. Jacoby, graduate school of business administration, University of California, Los Angeles; Richard A. Musgrave, professor of economics, Harvard University; and Robert Solow, professor of economics, MIT.

CONGRESSIONAL PROGRAM AHEAD

Week of February 14-19

(Committee meetings are open unless otherwise indicated)

Senate Chamber

On Monday Senate will meet in pro forma session with no transaction of business and will meet again on Wednesday to consider S. 2791, supplemental military procurement authorizations.

Senate Committees

Committee on Agriculture and Forestry: February 17, executive, on calendar business, 10:30 a.m., 324 Old Senate Office Building.

Committee on Appropriations: February 17 and 18, subcommittee, on proposed fiscal 1967 budget estimates for the Department of the Interior, Thursday, to hear Secretary Udall, 10 a.m., 1223 New Senate Office Building.

Committee on Commerce: February 18, to resume its hearings on S. 2102, to protect fur seals in the Pribilof Islands, 10 a.m., 5110 New Senate Office Building.

Committee on Foreign Relations: February 16, to hear representatives of the executive branch of the Government with regard to H.R. 12563, proposed Asian Development Bank Act, 10 a.m., 4221 New Senate Office Building.

February 17 and 18 (tentative dates) to continue hearings on U.S. policy in Vietnam, Thursday to hear Special Consultant to the President Gen. Maxwell Taylor, and Friday to hear Secretary of State Rusk, 10 a.m., 4221 New Senate Office Building.

Committee on Government Operations: February 16, Subcommittee on Foreign Aid Expenditures, to continue its hearings on S. 1676, population control, 10 a.m., 3302 New Senate Office Building.

Committee on Interior and Insular Affairs: February 17, executive, on committee business, 10 a.m., 3112 New Senate Office Building.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Feb. 16, 1966
For actions of Feb. 15, 1966
89th-2nd; No. 25

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HIGHLIGHTS: Rep. Mize objected to proposed cuts in research funds and inserted article, "Grain Research Vital." Rep. Sullivan inserted article praising President's food for freedom program.

HOUSE

1. TAXATION. The Ways and Means Committee reported without amendment H. R. 12752, to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, and to postpone certain excise tax rate reductions (H. Rept. 1285). p. 2890
2. DISARMAMENT; ECONOMICS. Received from the President the annual report of the U. S. Arms Control and Disarmament Agency in which he stated that research and preparation has been carried out on a wide variety of problems--from weapons inspection to the economic consequences of reductions or shifts in military

spending; to Foreign Affairs Committee. (H. Doc. 382) pp. 2889-90

3. MINING. Received from Interior the annual report on the progress and accomplishments of the anthracite mine water control and mine sealing and filling program. p. 2890
4. LEGISLATIVE PROGRAM. Rep. Albert announced that the Private Calendar will be called today, Wed. p. 2889

ITEMS IN APPENDIX

5. RESEARCH; GRAINS. Extension of remarks of Rep. Mize objecting to proposed cuts in research funds "at a time when we are talking about solving world food problems", and inserting an article, "Grain Research Vital." p. A736
6. INFLATION. Extension of remarks of Rep. Lipscomb inserting an article, "Our New War--Anti-Inflation", and stating that it "points out that to check inflationary tendencies requires not only restraint by labor and management, but by the Federal Government itself." pp. A736-7
7. WORLD FOOD. Rep. Sullivan inserted an article praising the President's food for freedom proposals. p. A738
8. FARM LABOR. Extension of remarks of Rep. Cederberg critical of the recent report on Michigan's experience with migratory labor last year and inserting an article reflecting the concern of cucumbergrowers. pp. A739-40
9. FOREIGN AID. Rep. Boggs inserted an article, "Reforms Proposed for Foreign Aid", which suggests that emphasis "will be placed on self-help projects in education, health, agriculture, and population control designed to assist underdeveloped nations in developing the human resources upon which economic development depends." pp. A745-6

BILLS INTRODUCED

10. FOREIGN TRADE. H. R. 12815 by Rep. Dorn, to amend the Merchant Marine Act, 1920, to prohibit transportation of articles to or from the United States aboard certain foreign vessels; to Merchant Marine and Fisheries Committee.
11. HOUSING. H. R. 12821 by Rep. Krebs, to assist city demonstration programs for rebuilding slum and blighted areas and for providing the public facilities and services necessary to improve the general welfare of the people who live in these areas; to Banking and Currency Committee.
12. HOLIDAY. H. J. Res. 835 by Rep. Holland, declaring May 29 in each year as Kennedy's Birthday which shall be a legal public holiday; to Judiciary Committee.

PRINTED HEARINGS RECEIVED BY THIS OFFICE

13. RECREATION. S. 936, Sleeping Bear Dunes National Seashore, Part 1. H. Interior and Insular Affairs Committee.
14. PATENTS. S. 1237, to encourage the creation of ornamental designs of useful

TAX ADJUSTMENT ACT OF 1966

FEBRUARY 15, 1966.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the following

R E P O R T

[To accompany H.R. 12752]

The Committee on Ways and Means, to whom was referred the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. SUMMARY

H.R. 12752, the tax adjustment bill of 1966, is designed to contribute revenues to aid in financing the increased costs of government associated with operations in Vietnam. It is designed to help finance these costs in a manner which will avoid the creation of serious inflationary pressures.

The provisions of the bill, which are based upon recommendations made by the President with certain important modifications, are grouped under two headings. Most important from a revenue standpoint are the provisions which affect the procedures for collecting tax, but which do not affect tax liabilities. They include graduated withholding on wage income, tightening up the filing requirements for declarations, the acceleration of corporate estimated tax payments, and quarterly payments of estimated self-employment social security tax. The remaining provisions superimpose a 2-year moratorium on rate reductions scheduled under existing law for the excise taxes on passenger automobiles and telephone service. When this moratorium ends, these tax rates will immediately fall to the levels which would otherwise have been applicable under present law at

that time, and will thereafter continue to be reduced as scheduled under existing law.

Revenue effect.—It is anticipated that these provisions will increase administrative budget revenues in the fiscal year 1966 by \$1.2 billion and the revenues in the fiscal year 1967 by \$4.8 billion relative to the levels that would be achieved under existing law. The temporary effects of the change in the timing of tax payments will be responsible for \$1.1 billion of the added administrative budget revenues in the fiscal year 1966 and \$3.6 billion of the increase in revenues in the fiscal year 1967. The quarterly payment of estimated self-employment tax will increase trust fund receipts, which are reflected in the consolidated cash budget but not in the administrative budget, by \$200 million in the fiscal year 1967. The moratorium on excise tax reduction will retain \$60 million in revenue which would otherwise be foregone in the fiscal year 1966 and \$1.2 billion in revenue which would otherwise be foregone in the fiscal year 1967.

The provisions.—(1) *Graduated withholding.*—For wages paid after April 30, 1966, the bill replaces the present withholding tax rate with a series of six graduated rates ranging from 14 to 30 percent which are grouped in a system that takes account of the minimum standard deduction or deductions of 10 percent of wages and of the taxpayer's marital status as well as the statutory tax rates which apply to the first \$12,000 of taxable income for single persons and \$24,000 of taxable income for married persons.

Included in the bill is a provision, not a part of the President's recommendations, which is designed to reduce overwithholding. This provision, beginning in 1967, will permit taxpayers whose itemized deductions as a percentage of their wages are in excess of certain limits to claim withholding allowances. These allowances will have the effect of additional withholding exemptions. Withholding allowances will be based on the excess of estimated itemized deductions (which cannot exceed the deductions itemized in the previous year) over a prescribed amount of estimated wage income (which cannot be less than the wage income received in the previous year). The prescribed amount is a composite of 12 percent of the first \$7,500 of estimated wages plus 17 percent of estimated wages in excess of \$7,500. Beginning in 1967, withholding allowances may be claimed with respect to each full \$700 of these excess itemized deductions. The Internal Revenue Service is authorized, and expected, to compile a table which will help taxpayers to determine the number of withholding allowances they may claim.

(2) *Quarterly payments of estimated self-employment tax.*—Effective for taxable years beginning after December 31, 1966, self-employed persons will be required to file declarations with respect to the total of their estimated income tax and self-employment tax and to make quarterly payments based on this declaration. The rules which now apply with regard to the requirement for filing a declaration of estimated income tax and the rules which govern the assessment of penalties for the underpayment of estimated tax will henceforth apply to the combined amount of estimated income tax and estimated self-employment tax.

(3) *Underpayment of estimated tax by individuals.*—Under existing law, a penalty may be incurred by a taxpayer when the total of the

amounts withheld from his wages and the amounts paid through quarterly payments of estimated tax are equal to less than 70 percent of the tax shown on his return. Effective for taxable years beginning after December 31, 1966, the present 70 percent provision is raised to 80 percent.

(4) *Acceleration of corporation income tax payments.*—The schedule bringing corporation payments of estimated income tax liabilities above \$100,000 to a current basis will be accelerated so that the current payments basis will be reached in 1967 instead of 1970 as scheduled under present law. Calendar year corporations will pay 12 percent of their estimated tax liabilities in April and June 1966, instead of the presently scheduled 9 percent. In 1967 and in following years, they will pay 25 percent of estimated tax liabilities on each payment date.

(5) *Excise tax on passenger automobiles.*—The excise tax rate on passenger automobiles effective on the day after enactment of the bill will revert to 7 percent (the rate before January 1, 1966) from 6 percent, and there will be a moratorium until March 31, 1968, on further tax rate reductions scheduled under present law. At the expiration of the moratorium, the excise tax on passenger automobiles will fall to 2 percent, as presently scheduled for 1968, and then to 1 percent as presently scheduled for 1969. A tax of 1 percent will be imposed on dealer stocks of automobiles held on the day following the date of enactment. It will be collected from the dealers by the manufacturers.

(6) *Excise tax on telephone service.*—The excise tax rate on telephone service will revert to 10 percent (the rate before January 1, 1966), from 3 percent, on general and toll telephone and teletypewriter exchange services. It will be in effect until March 31, 1968, when it will decline to 1 percent and will be repealed on January 1, 1969, as scheduled under present law. Nonprofit hospitals will be exempt from the tax on telephone services. These provisions will be effective with respect to bills rendered on or after the first day of the month which begins 15 days after the effective date of this bill.

II. REVENUE EFFECTS

As indicated in table 1, your committee's bill is expected to increase fiscal year 1966 administrative budget receipts by \$1,155 million and fiscal year 1967 receipts by \$4,830 million. This latter figure is slightly above that recommended by the President. In addition, consolidated cash budget receipts will be further increased by \$200 million in the fiscal year 1967. This increase differs from the recommendation of the President only in that the \$200 million under his recommendation was spread over the fiscal years 1966 and 1967.

TABLE 1.—*Estimated revenue increase under H.R. 12752 for the fiscal years 1966 and 1967*

[In millions of dollars]

	Fiscal year 1966	Fiscal year 1967
Excises:		
Communication.....		785
Automobiles.....	60	420
Total excises.....	60	1,205
Corporate speed-up.....	1,000	3,200
Graduated withholding.....	95	275
Increase in declaration requirement under individual income tax from 70 to 80 percent.....		150
Total, administrative budget.....	1,155	4,830
Self-employment tax, social security, quarterly payments (goes into a trust fund).....		200
Total, cash budget.....	1,155	5,030

The largest single source of additional revenue provided by your committee's bill is attributable to advancing the payment dates for corporate tax. This is expected to increase revenues in the fiscal year 1966 by \$1 billion and revenues in fiscal year 1967 by \$3.2 billion. The excise reduction moratorium with respect to the taxes on automobiles and communications represents the second major revenue source under the bill. It is estimated that this will raise revenues by \$60 million in the fiscal year 1966 and by \$1,205 million in the fiscal year 1967. The provisions with respect to graduated withholding and the increase in the declaration requirement under the individual income tax from 70 to 80 percent of actual tax liability are expected to increase revenues by \$425 million in the fiscal year 1967. The provision with respect to graduated withholding is expected to increase revenues in the fiscal year 1966 by \$95 million.

Table 2 shows the revenue impact of the graduated withholding system and the declaration requirement change approved by your committee. Only the six-rate graduated withholding system has an impact in the fiscal year 1966. As previously indicated, this is expected to increase revenues in that year by \$95 million. In the fiscal year 1967 a six-rate graduated withholding system with no allowances for excess itemized deductions would increase revenues by \$400 million. If two-thirds of those eligible decrease overwithholding due to itemized deductions under the provision approved by your committee, this gain will be reduced by \$125 million in the fiscal year 1967, resulting in a net gain from graduated withholding of \$275 million in the fiscal year 1967. However, your committee's action in raising the declaration requirement from 70 to 80 percent effective for the fiscal year 1967 is expected to increase revenues by \$150 million. As a result these actions, taken together, give rise to an estimated revenue gain of \$425 million for the fiscal year 1967, or slightly more than that recommended by the President. In the fiscal year 1968 the decrease in overwithholding attributable to allowances for itemized deductions will result in a loss of \$190 million. This fiscal year 1968 loss of \$190 million is a loss over and above any which would be incurred under the President's recommendations. However, there is a gain of \$65 million in that year arising from extending the excise tax rates for passenger cars and communication

services until April 1, 1968, which also would not be realized under the President's recommendations.

TABLE 2.—Revenue effect of provisions of H.R. 12752 relating to graduated withholding and declarations of estimated tax

[In millions of dollars]

Provisions	Effective date	Full year effect	Change in receipts		
			Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
6-rate graduated withholding.....	May 1, 1966	+1,240	+95	+400	-----
Extra withholding allowance for excess deductions ¹	Apr. 1, 1967	—770	-----	—125	—190
Increase requirement for estimated tax from 70 to 80 percent.....	Apr. 15, 1967	+300	-----	+150	-----
Total for individuals.....	-----	+770	+95	+425	—190

¹ Assumes $\frac{3}{4}$ utilization by eligible taxpayers.

III. REASONS FOR THE BILL

1. Fiscal and economic impact

The tax adjustment bill of 1966 will help provide the additional revenues which your committee is advised will be required by the conflict in Vietnam. This bill is designed to help finance the additional expenditures required for this purpose without generating serious inflationary pressures in the domestic economy. The additional revenues will be derived from two general types of provisions. The first consists of improvements in tax collection procedures which, without affecting tax liabilities, involve a temporary increase in the amount of revenues by making payments more current. The remaining provisions restore rates in effect on December 31, 1965, and impose a 2-year moratorium on presently scheduled reductions in the excise taxes on passenger automobiles and telephone service.

Were it not for special Vietnam costs, administration testimony before your committee has informed us, the increase in Federal revenue attributable to the growth of the economy—growth largely in response to the tax reductions enacted in recent years—would be sufficient not only to meet the regular requirements of Federal operations but also to provide a surplus. The President's budget message indicates that special Vietnam expenses will account for an estimated \$10.5 billion of administrative budget expenditures for the fiscal year 1967. These expenses account for \$5.8 billion of the \$6.4 billion increase in expenditures in the fiscal year 1967 over those for the fiscal year 1966. It is estimated that revenues would increase by \$7.5 billion between the 2 fiscal years if no change were made in existing tax laws, an amount that would be sufficient to produce a substantial budget surplus were it not for the extraordinary defense requirements. It will be recalled that when the House was considering what became the Revenue Act of 1964—which provided a reduction of \$11.5 billion, the largest reduction ever provided—the then Secretary of the Treasury Douglas Dillon indicated that despite this reduction, it might be possible to balance the budget in the fiscal year 1967. It should be noted that this objective of a balanced budget in the fiscal year 1967 would be obtained were it not for the extraordinary defense expendi-

tures arising from the conflict in Vietnam. Thus, were it not for the special Vietnam expenses of \$10.5 billion, there would be no need at this time for the 2-year excise tax reduction moratorium or for an advancement of the corporate tax payments at a more rapid rate than originally planned.

As a result of these extraordinary defense requirements, this bill provides additional temporary revenues designed to improve the budgetary outlook for both the fiscal years 1966 and 1967 as indicated in table 3.

Its provisions will increase revenues over present law yields in the current fiscal year by an estimated \$1.2 billion on an administrative budget basis and by \$4.8 billion in the following fiscal year. As a result, the deficit in the administration's budget expected for fiscal 1966 will be reduced from \$7.6 to \$6.4 billion, and will fall sharply to \$1.8 billion in fiscal 1967. Viewed from the basis of the consolidated cash budget, the results of the bill will be even more significant. The anticipated consolidated cash budget deficit for the fiscal year 1966 is expected to be \$6.9 billion. In the fiscal year 1967, this deficit will be eliminated and a small surplus achieved as a consequence of the \$5 billion that will be added to cash receipts by this bill in that year. Moreover, the bill will increase fiscal 1966 cash receipts by \$1.2 billion.

The modifications in collection procedures enacted in this bill—that is, graduated withholding, tighter declaration requirements, quarterly self-employment tax payments, and faster corporate income tax payments—will have a significant effect on revenues even though they will not increase tax liabilities. These changes in timing will result in the collection of some revenues in fiscal 1966 and fiscal 1967 which would otherwise not be collected until the following years. Once the transition to the new collection procedures is completed, however, tax payments by individuals and corporations during each fiscal year will (apart from the effect of growth in the economy) be no greater than under present law.

TABLE 3.—*Comparison of administrative budget receipts and expenditures with and without H.R. 12752, fiscal years 1966 and 1967*

[In billions of dollars]

	Fiscal year 1966	Fiscal year 1967	Change fiscal year 1967 over fiscal year 1966
Expenditures.....	106.4	112.8	+6.4
Receipts without bill.....	98.8	106.2	+7.3
Deficit without bill.....	7.6	6.7	-0.9
Increase in receipts under bill.....	+1.2	+4.8	+3.7
Total receipts (including those under this bill).....	100.0	111.0	+11.0
Deficit after taking account of revenues under this bill..	6.4	1.8	-4.6

NOTE. Figures are based on President's budget message, and therefore totals include estimated effects of proposed legislation other than H.R. 12752. Figures are rounded and will not necessarily add to totals.

It is expected that the increased tax collections that result from this bill will have a moderating influence on the expenditures of individuals and business firms. This influence will tend to offset the expansionary effects of increased defense expenditures. Such a policy is appropriate in view of the near capacity levels of output and employment

at which the economy is now operating. In the absence of the moderating influence of increased tax collections, the total of private demand and Government requirements would threaten to exceed the present capacity of the Nation's productive resources, and in that manner constitute a threat to price stability.

The Nation has enjoyed 5 years of uninterrupted economic expansion, the longest period of peacetime expansion in U.S. business cycle annals. In 1961, at the start of the expansion, civilian labor force unemployment reached 7 percent and 22 percent of manufacturing capacity remained idle. The Revenue Acts of 1962 and 1964 and the Excise Tax Reduction Act of 1965 were in large part directed at the removal of restraints to growth in the private sector of the economy arising from tax rates that were too high. Largely as a result of these measures, the rate of unemployment fell to 4 percent of the labor force in January 1966, and the capacity utilization index in manufacturing rose to 91 percent in the fourth quarter of 1965.

Today the gap between potential and actual output has thus been greatly narrowed. This is suggested by the recent behavior of the consumer and wholesale prices indexes. After 4 years of virtual stability, the index of wholesale prices increased 2 percent from 1964 to 1965. The percentage increases in the consumer price index from 1960 to 1964 averaged 1.2 percent a year. In 1965 the percentage increase was 1.7 percent and would have been 1.9 or 2 percent but for the effect of excise tax reductions enacted in the Excise Tax Reduction Act of 1965.

Evidence of the approach to the full use of our capacity is also indicated in statistics on capacity utilization rates in various industries. In December 1965, several important industries were operating at or above their preferred operating rates and the overall utilization index was only 1 point below the average preferred operating rate.

As pointed out to your committee by the Secretary of the Treasury, the various provisions of the bill will have a restraining influence on demands on available capacity. Following the enactment of this bill, the amounts withheld from individual wages will increase by \$1.24 billion at annual rates under the six-rate graduated withholding system. While these increased collections of \$1.24 billion will be reflected in reduced amounts of tax due when final returns are filed in the spring of 1967 and, to a limited extent, in increased tax refunds, they will tend to reduce consumer purchases during the remaining portion of 1966 and during the early months of 1967.

The fiscal effect of more accurate withholding will be reinforced by the requirement that taxpayers pay at least 80 percent of their liability for the year through withholding, payments of estimated tax, or both, to avoid penalties for underpayments of estimated tax. This, too, will tend to lessen consumer spending during this period of extraordinary military expenditures. Presently only 70 percent of the final liability need be paid to avoid the application of penalties. (As under present law, however, penalties will not be imposed where payments equal the prior year's tax or are based on the prior year's income, or certain other conditions are met).

The postponement of some corporate investment expenditures, as will occur as a result of the acceleration of corporate tax payments for the larger corporations will be favorable to continued economic

stability. Current levels of corporate investment in new plant and equipment are high. Outlays for business fixed investment rose by 11.5 percent in 1964 and by 15.4 percent in 1965 as compared with an average annual rate of increase of 7.5 percent in 1962 and 1963. Present announced plans indicate that investment will again increase at a rapid rate in the first half of 1966. Mild restraint, therefore, may well promote better balance between the rate of growth of output and investment in expanded capacity. It will also support our effort to reduce the deficit in our balance of payments to manageable levels. A source of strength in the balance-of-payments outlook in recent years has been the comparative stability in the prices of U.S. goods as compared to rising prices of the goods of other nations.

2. Correlating withholding with tax liabilities

Apart from their beneficial budgetary and economic effects, improved collection techniques will mean important benefits to taxpayers. Under graduated withholding, amounts withheld will more nearly approximate final liabilities. In particular, fewer taxpayers will have substantial amounts of tax to pay when they file their final return for the year. Last year for many taxpayers the fact that such bills remained to be paid in the spring of 1965 caused a measure of financial hardship and considerable resentment which tended to blunt the very substantial benefits provided by the Revenue Act of 1964. Unless graduated withholding is enacted, this experience is likely to be repeated in future years. Thus, this is a desirable improvement in collection procedures wholly apart from the temporary revenue increase.

Your committee's bill incorporates a special withholding allowance which provides relief for those taxpayers who itemize deductions and would otherwise find that withholding resulted in substantial unwanted overpayment of tax. This feature will also promote more accurate withholding as is shown subsequently in table 4 in this report.

3. Change in corporate payments merely an advance in timing

The proposal regarding corporate tax payments accomplishes by 1967 what would otherwise be accomplished by 1970. The Revenue Act of 1964 provided that corporations were to estimate and pay currently that portion of their tax liability expected to exceed \$100,000, but the transition to current payment was scheduled over a period which was to end in 1970. This bill simply achieves that transition by 1967. Instead of paying 9 percent of their estimated liabilities in excess of \$100,000 in April and June of 1966, calendar-year corporations will be required to pay 12 percent. In the final two quarters of 1966, these corporations will pay the same percentage, 25 percent, of these estimated liabilities as they are required to pay under present law. In 1967, these corporations will be required to pay in each quarter amounts equal to 25 percent of their estimated liabilities in excess of \$100,000. Under existing law, they would pay installments of 14 percent of this estimated liability in April and June 1967 and installments of 25 percent in September and December 1967. Tables 9 and 10, presented subsequently in this report, show the schedules of payments under present law and under the bill.

4. Self-employment social security tax placed on current basis

This bill makes provision, for the first time, for the declaration and quarterly payment of estimated social security tax liabilities with re-

spect to self-employment income. This bill places self-employed persons on the same current payment basis for social security tax purposes as they are on now for income tax purposes, and does so with a minimum degree of added complication. The declaration and estimated taxpayment system now in effect is simply broadened to include estimated self-employment social security tax.

5. Two-year moratorium for auto and telephone excise reductions

The excise tax rate reductions scheduled under present law for 1966 and later years in the case of telephone service and passenger automobiles are not rescinded by this bill. They are merely postponed for 2 years. This bill makes explicit provision for reduction on April 1, 1968, of these rates to the levels which would prevail under existing law, emphasizing the fact that the moratorium on rate reduction, while necessary in view of current budgetary and economic conditions, is not intended to cancel the eventual reductions of the 1965 act. Thus, the bill as reported by your committee in this respect differs to a significant degree from the proposals of the administration: the administration would have postponed the auto and telephone excise tax reductions for 2 years—not only the reductions occurring in the next 2 years, but also the reductions occurring after that time. Your committee's bill, on the other hand, merely provides a moratorium for the reductions which would under present law occur in the next 2 years. Under the bill, the rates will fall at the end of the 2-year period to the level they would have been at under present law at that time, and subsequent reductions under present law are not further postponed.

The excises on telephone service and passenger automobiles are selected for a number of reasons in addition to the fact that they yield substantial revenues. They are currently in effect, so that a moratorium on rate reduction is a much simpler matter administratively for business firms and the Government (since the payment and collection machinery is still in effect) than the reinstitution of excises previously repealed. The fact that these excises were not repealed outright by the Excise Tax Reduction Act of 1965 but were scheduled for gradual reduction also is indicative of the order of priorities in excise tax reduction established by the Congress in 1965. Moreover, the burden of these taxes is widely dispersed over the population, and, therefore, a disproportionate burden will not be imposed on a narrow segment of the population as a result of the moratorium.

IV. GENERAL EXPLANATION

1. Graduated withholding. (Sec. 101 of the bill and sec. 3402 of the code.)

(a) *Present law.*—Under present law, employers withhold Federal income tax from wages and salaries at the rate of 14 percent after recognizing the withholding exemptions claimed by an employee for himself, his wife and any dependents. The 14-percent rate is equivalent to the average of the four tax rates which apply to the initial \$2,000 of taxable income (\$4,000 for married couples), reduced to reflect the 10-percent standard deduction. To further reflect the standard deduction, the value of exemptions is increased from \$600 to \$667 for withholding purposes.

Employees claim withholding exemptions by filing withholding exemption certificates with their employers. These certificates remain in force until superseded by the submission of later ones. The number of exemptions claimed may be less than, but cannot exceed, the number of allowable exemptions. If the employer agrees, the employee may arrange to have extra amounts withheld from his wages.

The present 14-percent withholding rate went into effect on March 5, 1964, implementing the rate reductions enacted in the Revenue Act of 1964. It superseded the withholding rate of 18 percent which had been in effect since 1954. The latter was equivalent to the 20-percent tax rate on the first \$2,000 of taxable income (\$4,000 for married couples) reduced to reflect the 10-percent standard deduction.

(b) *General explanation of graduated rates.*—Under the present withholding system, taxpayers, including those who derive all their income from wages subject to withholding, often find that the amount of tax withheld from their wages differs substantially from their income tax liability for the year. As a result, if the present system were continued, an estimated 12.5 million tax returns would show a tax liability for the year 1966 significantly in excess of the amount of tax withheld. At the same time, an estimated 39.8 million taxpayers, 20 million of whom have incomes of \$5,000 or less, would have tax liabilities significantly less than the amounts withheld from them. Those taxpayers who are underwithheld, in the sense that withholding falls short of their tax liability, must make payments when they file their final return for the year. When such payments are unexpected, as they were for many taxpayers in 1965, they can cause resentment and, at times, financial hardship. While taxpayers who are overwithheld receive a tax refund when they file their final returns, for some, particularly those whose refund is large relative to their income, it can be a hardship to wait for such a refund.

In the past the single-rate withholding structure resulted both in substantial underwithholding and overwithholding. However, the problem has become worse. With respect to underwithholding, the steady rise in individual and family incomes has lifted many taxpayers into income brackets where the present withholding rate falls substantially short of their effective rate of tax. Moreover, important structural provisions enacted in the Revenue Act of 1964 are not reflected in the present system.

Formerly, the first taxable income bracket covered the initial \$2,000 of taxable income for single persons and the initial \$4,000 of taxable income for married couples. In 1964 this range of taxable income was divided into four smaller brackets. To preserve the relationship between the withholding rate and taxable income that existed in the past, adopt a withholding rate that reflected the average of the first four statutory rates rather than the lowest such tax rate. The Revenue Act of 1964 also introduced the minimum standard deduction. This provision permits taxpayers with incomes which are low in relation to the size of their family to deduct an amount which exceeds 10 percent of their adjusted gross income even though they do not itemize deductions. The present withholding system, however, still takes into account only the 10-percent standard deduction.

As a result of the structural changes enacted in 1964, the present 14-percent withholding rate overwithholds on persons whose taxable income is less than \$2,000 if single or \$4,000 if married. This is true

even though such persons claim only the standard or minimum standard deduction, derive all their income from wages subject to withholding, are steadily employed during the year, and experience no increase in exemptions during the year.

At the same time, persons with incomes above these limits are likely to experience underwithholding, since they are subject to income tax rates well in excess of 14 percent. Thus, of the 63.1 million tax returns expected to be filed in 1966 upon which wages and salaries will be noted and with respect to which no declaration payments will be made, on only 10.8 million returns would tax withheld come within \$10 of the actual liability under the present withholding system. Of the remaining 52.3 million returns, 39.8 million would show overwithholding and 12.5 million, underwithholding.

The withholding system proposed in your committee's bill will insure that for most wage earners amounts withheld will more closely approximate the final tax liability. The proposed system reflects fully the graduated rates in the income tax rate scale for taxable incomes up to \$12,000 for single persons and \$24,000 for married couples. Even for returns with higher taxable incomes which show wage income, graduated withholding will be far more accurate than the existing system. Moreover, these returns number only an estimated 600,000.

The proposed system also reflects the minimum standard deduction. This fact, taken in conjunction with the graduated rates and the withholding allowances, will reduce the amount of overwithholding from those with low and middle incomes, as is shown in table 4. It is estimated, for example, that on returns listing income of \$5,000 or less, the total amount of overwithholding will decline by \$580 million. This will be sufficient to reduce the number of returns in this group on which overwithholding exceeds \$10 from 20.0 to 12.9 million and to increase the number of returns on which withheld tax comes to within \$10 of the final liability from 8.4 to 15.4 million. On returns with incomes of \$5,000 but less than \$10,000, overwithholding will be reduced by \$375 million, largely as a result of the provision for withholding allowances described below.

Your committee's bill includes a special relief provision which persons with substantial itemized deductions may elect and which further improves the accuracy of the withholding system. This feature, which was not included in the President's recommendations, permits taxpayers to claim withholding allowances with their employer, which will have the same effect as withholding exemptions, when their estimated itemized deductions exceed a specified amount of their estimated wage and salary income.

The special relief provision is included in recognition of the fact that taxpayers with substantial itemized deductions are likely to be overwithheld under both the existing withholding rate and the proposed rates. Overwithholding occurs because most of those who itemize have deductions which, in total, exceed the allowance for deductions which is built into both the existing withholding system and the system provided in this bill. In both cases, the allowance for deductions, apart from the allowance for the minimum standard deduction, is equal to 10 percent of wage and salary income. In 1962, for example, itemized deductions were equal on the average to 19.6 percent of the adjusted gross incomes listed on the 26.5 million returns upon which the standard deduction was not employed. Under 14

percent withholding, the resulting overwithholding arising from the use of these itemized deductions is estimated to account for 44 percent of the overwithholding at 1966 income levels.

Under the graduated withholding rates, the importance of itemized deductions as a cause of overwithholding would increase substantially in the absence of the special relief provision. It is estimated that the amount of overwithholding due to itemized deductions would increase to \$3.7 billion at 1966 income levels and would comprise 59 percent of the expected amount of overwithholding. Moreover, if voluntary adjustments are disregarded as a source of overwithholding, the percentage of overwithholding attributable to itemized deductions would approximate 70 percent.

The special provision is not intended for the use of all taxpayers with wage income who itemize their deductions, but is designed for the relief of those persons for whom overwithholding might otherwise become a burden. Therefore, when estimated wages are \$7,500 or less, withholding allowances are based on the amount of itemized deductions estimated to exceed 12 percent of wage and salary income and, when estimated wage income exceeds \$7,500, they are based on the total of \$900 (12 percent of \$7,500) plus 17 percent of wage and salary income in excess of \$7,500. Withholding allowances are not based on the excess of estimated itemized deductions over 10 percent of estimated wage and salary income in recognition of the fact that many taxpayers receive some income that is not subject to withholding and that the average amount of such income is greater at high-income levels than at low-income levels. The method of computing withholding allowances minimizes the possibility that a taxpayer who receives dividends interest or other nonwage sources of income will inadvertently overcompensate for his itemized deductions and have a bill due at the end of the year which he would not otherwise have incurred. It also reduces the effect of overestimates of deductions, or underestimates of income, leading to underwithholding.

Table 4 indicates the effect of the graduated withholding provision of the bill and contrasts that effect with the present system and the 6-rate system recommended by the President.

TABLE 4.—Effect of graduated withholding provisions of H.R. 12752¹

	Present 14 percent with- holding	Change resulting from—			Gradu- ated with- holding
		6-rate system	Extra \$700 al- lowance ²	Com- bined total	
All returns:					
A. Number of returns (millions):					
1. Overwithholding	39.8	-6.3	-0.7	-7.0	32.8
2. Underwithholding	12.5	-3.5	+0.6	-2.9	9.6
3. Breakeven ³	10.8	+9.8	+0.1	+9.9	20.7
4. Total	63.1				63.1
B. Amount (millions of dollars):					
1. Overwithholding	6,130	+50	-700	-650	5,480
2. Underwithholding	2,700	-1,190	+70	-1,120	1,580
3. Total withholding	36,440	+1,240	-770	+470	36,910
Under \$5,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	20.0	-7.0	-0.1	-7.1	12.9
2. Underwithholding	3.0	(⁴)	+0.1	+0.1	3.1
3. Breakeven ³	8.4	+7.0	(⁴)	+7.0	15.4
4. Total	31.4				31.4
B. Amount (millions of dollars):					
1. Overwithholding	2,130	-500	-80	-580	1,550
2. Underwithholding	340	(⁴)	(⁴)	(⁴)	340
3. Total withholding	5,720	-500	-80	-580	5,140
\$5,000 to \$10,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	15.0	-1.4	-0.4	-1.8	13.2
2. Underwithholding	5.7	-1.2	+0.3	-0.9	4.8
3. Breakeven ³	2.0	+2.6	+0.1	+2.7	4.7
4. Total	22.7				22.7
B. Amount (millions of dollars):					
1. Overwithholding	3,000	-20	-355	-375	2,625
2. Underwithholding	760	-250	+25	-225	535
3. Total withholding	17,140	+230	-380	-150	16,990
\$10,000 and over adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	4.8	+2.1	-0.2	+1.9	6.7
2. Underwithholding	3.8	-2.3	+0.2	-2.1	1.7
3. Breakeven ³	0.4	+0.2	(⁴)	+0.2	0.6
4. Total	9.0				9.0
B. Amount (millions of dollars):					
1. Overwithholding	1,000	+570	-265	+305	1,305
2. Underwithholding	1,600	-940	+45	-895	705
3. Total withholding	13,580	+1,510	-310	+1,200	14,780

¹ Based on taxable and nontaxable returns with no declaration payments.² Assumes $\frac{2}{3}$ utilization by eligible persons.³ Breakeven defined as within \$10 of the tax liability.⁴ Negligible.

NOTE.—Based on calendar year 1966 levels of income. The terms "overwithholding" and "underwithholding" in this table means the difference between actual tax liabilities (based on all types of income, deductions, etc.) and the amount of tax withheld from wages and salaries.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Explanation of provisions.—(a) *Graduated withholding generally.*—Your committee's bill substitutes six graduated rates for the present withholding rate and incorporates features designed to reflect the minimum standard deduction. Moreover, it permits employees who would otherwise be overwithheld to make adjustments if their itemized deductions exceed specified amounts.

The graduated rates, which range from 14 percent to 30 percent, are included in two separate rate schedules, one for single persons and heads of households, and the other, with wider brackets to take account

of statutory income splitting, for married persons and surviving spouses.

The minimum standard deduction is taken into account by raising the value of the exemption to \$700 for withholding purposes and by establishing an initial band of wage income after exemptions, equal to \$200 on an annual basis, from which no tax will be withheld. This is consistent with the provisions regarding the minimum standard deduction, which provide a deduction equal to a basic \$200 amount for a single person, a head-of-household, or a married couple, and an additional \$100 amount for each exemption claimed. The rate schedule reflects an allowance for deductions of approximately 10 percent of wage and salary income at wage levels where the minimum standard deduction is not used.

The withholding rate schedules for single persons and married persons as applied to an annual basis are as follows:

SINGLE PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of wages in excess of \$200.
Over \$700 but not over \$1,200----	\$70 plus 15% of wages in excess of \$700.
Over \$1,200 but not over \$4,400----	\$145 plus 17% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800----	\$689 plus 20% of wages in excess of \$4,400.
Over \$8,800 but not over \$11,000--	\$1,569 plus 25% of wages in excess of \$8,800.
Over \$11,000-----	\$2,119 plus 30% of wages in excess of \$11,000.

MARRIED PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$1,200----	14% of wages in excess of \$200.
Over \$1,200 but not over \$4,400----	\$140 plus 15% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800----	\$620 plus 17% of wages in excess of \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of wages in excess of \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of wages in excess of \$17,700.
Over \$22,000-----	\$4,223 plus 30% of wages in excess of \$22,000.

As under present law, employers will be permitted to compute withholding by means of either wage-bracket tables or by means of a percentage method. Wage-bracket tables for the various payroll periods now recognized, as set forth in the bill, will be distributed by the Internal Revenue Service. Instructions for applying the percentage method will also be supplied.

With regard to any irregular supplemental wage payment, such as a bonus, employers will be permitted either to compute withholding by treating the payment as if it were part of the current or preceding regular wage payment or by applying a flat percentage rate to the supplemental wage payment without making any allowance for exemptions. It is expected that the regulations will provide for a flat rate of around 20 percent.

For the purpose of graduated withholding, married persons will be required to file new withholding exemption certificates with their employers if they wish to have the tax withheld from them based on the rates applicable to married couples. A person who is married to a nonresident alien, or a person legally separated from his spouse under a decree of divorce or separate maintenance, will be considered single for withholding purposes. A "surviving spouse"—i.e., a person whose spouse died during one of the two immediately preceding

taxable years—and also a person whose spouse died during the taxable year, will be considered married for withholding purposes unless the deceased spouse was either a nonresident alien or was legally separated from the taxpayer under a decree of divorce or separate maintenance at the time of his death.

Employers are required to compute withholding on the basis of the rates applicable to single persons if an employee fails to submit a new withholding exemption certificate.

(b) *Withholding allowances for persons with substantial itemized deductions.*—Your committee's bill establishes a procedure whereby taxpayers with relatively large itemized deductions may claim withholding allowances in addition to the regular withholding exemptions. Each of these allowances will have the same effect on withholding from wages and salaries as a claimed exemption; that is, it will exempt \$700 from withholding on an annual basis.

Taxpayers who wish to utilize this procedure will be required to estimate their wage and salary income and the amount of their itemized deductions. The amount of estimated wage and salary income for this purpose, however, may not be less than the amount shown on the return for the previous year, while the estimated amount of itemized deductions may not exceed the amount of such deductions claimed on the tax return filed for the previous year.

For those with estimated wage or salary incomes of \$7,500 or less, the number of withholding allowances will be based on the amount by which estimated itemized deductions exceed 12 percent of estimated wage and salary income. For those with higher estimated wages, the allowances will be based on the excess over the total of \$900 (12 percent of \$7,500) plus 17 percent of estimated wage and salary income in excess of \$7,500. One allowance may be claimed with respect to each full \$700 of such excess. For example, if his estimated wage income for the year is \$7,000, a taxpayer with \$2,000 in estimated itemized deductions will be permitted to claim one withholding allowance based on the fact that his estimated itemized deductions exceed 12 percent of his estimated wages by more than \$700 but by less than \$1,400.

Claims for withholding allowances will be filed by employees with their employers on withholding exemption certificates or similar forms. The employer will then withhold tax on the basis of the total of the claimed exemptions and withholding allowances. For a calendar year taxpayer, claims for withholding allowances will remain in effect during the period in the calendar year which remains after the claim is filed and, unless a claim for the next year is filed, for the first 4 months of that year. Withholding allowances must be claimed anew each year. After May 1 of each year, employers will be required to disregard withholding allowances claimed on withholding exemption certificates filed in a prior calendar year. The fact that withholding allowances must be disregarded when a new claim is not filed will not affect the number of exemptions for dependents, etc., to be taken into account. The employer will continue to compute withholding on the basis of the number of these exemptions shown on the last withholding exemption certificate filed by the employee.

The Secretary of the Treasury or his delegate is authorized to design ready reference tables which will simplify the determination of the number of withholding allowances to which an employee is

entitled and it is the committee's understanding that this will be done. When promulgated, such tables will be supplied to employers for the guidance of their employees. The Secretary of the Treasury or his delegate is further authorized to take into account in these tables (or in other ways), the fact that, at high-income levels, the withholding rates established by this bill are sufficiently below the tax rates so as to offset the need for additional withholding allowances.

To facilitate the above procedure, the bill increases the number of dates on which employers will be required to recognize changes in the number of exemptions and withholding allowances claimed by employees. In addition to the existing January 1 and July 1 status determination dates upon which such changes must now be recognized, the bill adds the further dates of May 1 and October 1. As under existing law, employers will be permitted to give effect to amended withholding exemption certificates prior to the given dates if they wish to do so.

The bill also provides that for married couples the computation as to whether they are entitled to withholding allowances must be made on a joint basis unless they filed separate returns for the prior year and expect to file separate returns for the current year. Married couples may divide the exemptions and withholding allowances to which they are jointly entitled if both receive wages subject to withholding. Furthermore, the bill requires that employees who work simultaneously for two or more employers may claim withholding allowances with only one of these employers.

The bill also provides a civil penalty of \$50 to be imposed when a taxpayer lists wage and salary income of less than the amount received in the previous year or if he lists itemized deductions in excess of the amount claimed in the previous year. The civil penalty does not apply, however, if the misstatement does not result in reduced withholding or the tax liability does not exceed the amount withheld plus the payments of estimated tax.

Present law (sec. 7205) already provides that where an individual who is required to supply information to his employer under the withholding tax provision willfully supplies false or fraudulent information or willfully fails to supply information he is to be fined not more than \$500 or imprisoned for not more than 1 year, or both. This presently applies to withholding tax exemptions and, under the bill, is extended to withholding allowances since for purposes of the internal revenue laws these allowances are treated as withholding exemptions. It should be noted, however, that this criminal penalty applies only in the case of "willful violations," and in practice it is applied only where the omission or failure results in a substantial amount of underwithholding.

(c) *Effective date.*—Withholding under the new graduated rates is to apply with respect to remuneration paid after April 30, 1966. The special relief procedures for persons with substantial itemized deductions will apply in years beginning after December 31, 1966. It was thought that this latter provision should not apply before 1967 because time was needed to acquaint taxpayers with the basic 6-rate graduated withholding system. Moreover, since the graduated system is not in effect for the first 4 months of 1966, any overwithholding attributable to these rates is not expected to be serious in 1966.

(d) *Revenue effect.*—It is estimated that the proposals relating to graduated withholding will increase the amount of tax withheld by \$1,240 million at annual rates during the calendar year 1966. When the procedures for claiming withholding allowances become effective, this amount will be reduced, if two-thirds of those eligible avail themselves of the procedure, to \$470 million. As a result of the increase in amounts withheld, there will be a temporary increase in Federal tax collections of \$95 million in budget receipts in the fiscal year 1966 and an increase of \$275 million in budget receipts for the fiscal year 1967. A decrease in revenue of \$190 million is expected in the fiscal year 1968 because the impact of the withholding allowance system is not fully effective until that time.

(e) *Effect of graduated withholding at different income levels.*—Table 5 compares the average amount of overwithholding and underwithholding under present law and under the graduated withholding system for all returns, for those with adjusted gross income under \$5,000, for those with income between \$5,000 and \$10,000, and for those with such income over \$10,000. As is indicated in this table, your committee's bill makes a substantial reduction in underwithholding, decreasing this in the average case from \$151 to \$79. In addition, the bill, although primarily concerned with underwithholding, also substantially decreases overwithholding as well. This is attributable both to the provision for the minimum standard deduction in the lower brackets and also to the provision for a withholding allowance for those with substantial overwithholding. It should be noted that in the average case overwithholding under your committee's action is decreased in all three of the major income categories as well as on an overall basis.

Tables 6-A through 6-G show the tax liability for single persons, married couples with no dependents, and married couples with two dependents for various wage income levels. This tax liability is shown for varying assumed levels of standard (or minimum standard) or itemized deductions. The assumptions shown are for a 10-percent deduction, a 15-percent deduction, a 20-percent deduction, a 22½-percent deduction, a 25-percent deduction, a 27½-percent deduction, and a 30-percent deduction. With the tax liability in each of these cases, there is shown the amount withheld at the 14-percent flat rate of existing law and also under the graduated withholding provided by your committee's bill. The special withholding allowance provided by your committee's bill for those with substantial itemized deductions begins to decrease overwithholding above the 15-percent level.¹ Thus the impact of this allowance is shown only on tables 6-C through 6-G. For these tables the effect of this allowance is taken into account in the amount of withholding under the graduated withholding system. However, the impact of graduated withholding with and without this allowance is shown in the columns relating to overwithholding or underwithholding. These tables show both the change in withholding from present law and the overwithholding or underwithholding under present law and under the graduated withholding system without regard to these allowances and with regard to these allowances.

¹ Although itemized deductions are taken into account on the first \$7,500 of income where they exceed 12 percent, this nevertheless does not result in the availability of a special withholding allowance below the 15-percent level because this allowance is available only when there is a full \$700 above the 12 percent.

TABLE 5.—Comparison of average amounts of underwithholding and overwithholding under present law and under the tax adjustment bill of 1966

	Present 14 percent withholding			Graduated withholding including withholding allowances		
	Returns ¹	Amount	Average	Returns ¹	Amount	Average
All returns:	<i>Millions</i>	<i>Millions</i>		<i>Millions</i>	<i>Millions</i>	
Overwithholding.....	45.2	\$6,130	136	43.2	\$5,480	\$127
Underwithholding.....	17.9	2,700	151	19.9	1,580	79
Under \$5,000 adjusted gross income:						
Overwithholding.....	24.2	2,130	88	20.6	1,550	75
Underwithholding.....	7.2	340	47	10.8	340	31
\$5,000 to \$10,000 adjusted gross income:						
Overwithholding.....	16.0	3,000	188	15.6	2,625	168
Underwithholding.....	6.7	760	113	7.1	535	75
\$10,000 and over adjusted gross income:						
Overwithholding.....	5.0	1,000	200	7.0	1,305	186
Underwithholding.....	4.0	1,600	400	2.0	705	353

¹ Returns from the \$10 tolerance breakeven class have been assigned equally to overwithholding and underwithholding.

TABLE 6-A.—Tax liability and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 10 percent deductions or minimum standard deduction)

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (-)	
		Present 14 percent	Graduated withholding		Present 14 percent	Graduated withholding

SINGLE INDIVIDUAL

\$1,000.....	\$16	\$47	\$14	-\$33	+\$31	-\$2
\$2,000.....	163	187	162	-25	+24	-1
\$3,000.....	329	327	332	+5	-2	+3
\$5,000.....	671	607	672	+65	-64	+1
\$7,500.....	1,168	957	1,169	+212	-211	+1
\$10,000.....	1,742	1,307	1,694	+387	-435	-48
\$12,500.....	2,398	1,657	2,359	+702	-741	-39
\$15,000.....	3,154	2,007	3,109	+1,102	-1,147	-45
\$20,000.....	4,918	2,707	4,609	+1,902	-2,211	-309
\$25,000.....	6,982	3,407	6,109	+2,702	-3,575	-873
\$35,000.....	11,627	4,807	9,109	+4,302	-6,820	-2,518

MARRIED COUPLE, NO DEPENDENTS

\$2,000.....	\$58	\$93	\$56	-\$37	+\$35	-\$2
\$3,000.....	204	233	200	-33	+29	-4
\$5,000.....	501	513	500	-13	+12	-1
\$7,500.....	914	863	909	+46	-51	-5
\$10,000.....	1,342	1,213	1,334	+121	-129	-8
\$12,500.....	1,831	1,563	1,828	+265	-268	-3
\$15,000.....	2,335	1,913	2,328	+415	-422	-7
\$20,000.....	3,484	2,613	3,373	+760	-871	-111
\$25,000.....	4,796	3,313	4,703	+1,390	-1,483	-93
\$35,000.....	7,997	4,713	7,703	+2,990	-3,284	-294

MARRIED COUPLE, 2 DEPENDENTS

\$3,000.....	\$4	\$46	0	-\$46	+\$42	-\$4
\$5,000.....	290	326	\$290	-36	+36	0
\$7,500.....	686	676	671	-5	-10	+5
\$10,000.....	1,114	1,026	1,096	+70	-88	-18
\$12,500.....	1,567	1,376	1,548	+172	-191	-19
\$15,000.....	2,062	1,726	2,048	+322	-336	-14
\$20,000.....	3,160	2,426	3,048	+622	-734	-112
\$25,000.....	4,412	3,126	4,283	+1,157	-1,286	-364
\$35,000.....	7,529	4,526	7,283	+2,757	-3,003	-246

TABLE 6-B.—*Tax liability and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 15 percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (-)	
		Present 14 percent	Graduated withholding		Present 14 percent	Graduated withholding
SINGLE INDIVIDUAL						
\$1,000-----	\$16	\$47	\$14	-\$33	+\$31	-\$2
\$2,000-----	161	187	162	-25	+26	+1
\$3,000-----	302	327	332	+5	+25	+30
\$5,000-----	624	607	672	+65	-17	+48
\$7,500-----	1,080	957	1,169	+212	-123	+89
\$10,000-----	1,605	1,307	1,694	+387	-298	+89
\$12,500-----	2,198	1,657	2,359	+702	-541	+161
\$15,000-----	2,884	2,007	3,109	+1,102	-877	+225
\$20,000-----	4,498	2,707	4,609	+1,902	-1,791	+111
\$25,000-----	6,382	3,407	6,109	+2,702	-2,975	-273
\$35,000-----	10,700	4,807	9,109	+4,302	-5,893	-1,591
MARRIED COUPLES, NO DEPENDENTS						
\$2,000-----	\$58	\$93	\$56	+\$37	+\$35	-\$2
\$3,000-----	192	233	200	-33	+41	+8
\$5,000-----	458	513	500	-13	+55	+42
\$7,500-----	843	863	909	+46	+20	+66
\$10,000-----	1,247	1,213	1,334	+121	-34	+87
\$12,500-----	1,694	1,563	1,828	+265	-131	+134
\$15,000-----	2,161	1,913	2,328	+415	-248	+167
\$20,000-----	3,210	2,613	3,373	+760	-597	+163
\$25,000-----	4,396	3,313	4,703	+1,390	-1,083	+307
\$35,000-----	7,314	4,713	7,703	+2,990	-2,601	+389
MARRIED COUPLE, 2 DEPENDENTS						
\$3,000-----	\$4	\$46	0	-\$46	+\$42	-\$4
\$5,000-----	268	326	\$290	-36	+58	+22
\$7,500-----	616	676	671	-5	+60	+55
\$10,000-----	1,019	1,026	1,096	+70	+7	+77
\$12,500-----	1,430	1,376	1,548	+172	-54	+118
\$15,000-----	1,897	1,726	2,048	+322	-171	+151
\$20,000-----	2,910	2,426	3,048	+622	-484	+138
\$25,000-----	4,058	3,126	4,283	+1,157	-932	+225
\$35,000-----	6,866	4,526	7,283	+2,757	-2,340	+417

TABLE 6-C.—*Tax liabilities and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 20 percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Graduated withholding with allowance		Present 14 percent	Graduated withholding	
						Without allowance	With allowance
SINGLE INDIVIDUAL							
\$1,000 -----	\$16	\$47	\$14	-\$33	+\$31	-\$2	-\$2
\$2,000 -----	145	187	162	-25	+42	+17	+17
\$3,000 -----	276	327	332	+5	+51	+56	+56
\$5,000 -----	576	607	672	+65	+31	+96	+96
\$7,500 -----	998	957	1,169	+212	-41	+171	+171
\$10,000 -----	1,480	1,307	1,694	+387	-173	+214	+214
\$12,500 -----	2,022	1,657	2,149	+492	-366	+337	+127
\$15,000 -----	2,638	2,007	2,899	+892	-631	+471	+261
\$20,000 -----	4,096	2,707	4,399	+1,692	-1,389	+513	+303
\$25,000 -----	5,800	3,407	5,899	+2,492	-2,393	+309	+99
\$35,000 -----	9,772	4,807	9,109	+4,302	-4,965	-663	1 -663
MARRIED COUPLE, NO DEPENDENTS							
\$2,000 -----	\$56	\$93	\$56	-\$37	+\$37	0	0
\$3,000 -----	170	233	200	-33	+63	+\$30	+\$30
\$5,000 -----	418	513	500	-13	+95	+82	+82
\$7,500 -----	772	863	909	+46	+91	+137	+137
\$10,000 -----	1,152	1,213	1,334	+121	+61	+182	+182
\$12,500 -----	1,556	1,563	1,688	+125	+7	+272	+132
\$15,000 -----	1,996	1,913	2,188	+275	-83	+332	+192
\$20,000 -----	2,960	2,613	3,198	+585	-347	+413	+238
\$25,000 -----	4,044	3,313	4,493	+1,180	-731	+659	+449
\$35,000 -----	6,668	4,713	7,283	+2,570	-1,955	+1,035	+615
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000 -----	0	\$46	0	-\$46	+\$46	0	0
\$5,000 -----	\$230	326	\$290	-36	+96	+\$60	+\$60
\$7,500 -----	552	676	671	-5	+124	+119	+119
\$10,000 -----	924	1,026	1,096	+70	+102	+172	+172
\$12,500 -----	1,304	1,376	1,408	+32	+72	+244	+104
\$15,000 -----	1,732	1,726	1,908	+182	-6	+316	+176
\$20,000 -----	2,660	2,426	2,908	+482	-234	+388	+248
\$25,000 -----	3,708	3,126	4,098	+972	-582	+575	+390
\$35,000 -----	6,236	4,526	6,863	+2,337	-1,710	+1,047	+627

¹ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-D.—*Tax liabilities and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 22½ percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Graduated withholding with allowance		Present 14 percent	Graduated withholding	
						Without allowance	With allowance
SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	-\$33	+\$31	-\$2	-\$2
\$2,000-----	138	187	162	-25	+49	+24	+24
\$3,000-----	263	327	332	+5	+64	+69	+69
\$5,000-----	552	607	672	+65	+55	+120	+120
\$7,500-----	957	957	1,029	+72	0	+212	+72
\$10,000-----	1,418	1,307	1,529	+222	-111	+276	+111
\$12,500-----	1,935	1,657	2,149	+492	-278	+424	+214
\$15,000-----	2,518	2,007	2,899	+892	-611	+591	+381
\$20,000-----	3,901	2,707	4,189	+1,482	-1,194	+708	+288
\$25,000-----	5,519	3,407	5,689	+2,282	-2,112	+590	+170
\$35,000-----	9,308	4,807	9,109	+4,302	-4,501	-199	1 -199
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$49	\$93	\$56	-\$37	+\$44	+\$7	+\$7
\$3,000-----	159	233	200	-33	+74	+41	+41
\$5,000-----	398	513	500	-13	+115	+102	+102
\$7,500-----	736	863	790	-73	+127	+173	+54
\$10,000-----	1,104	1,213	1,215	+2	+109	+230	+111
\$12,500-----	1,487	1,563	1,688	+125	+76	+341	+201
\$15,000-----	1,914	1,913	2,188	+275	-1	+414	+274
\$20,000-----	2,835	2,613	3,048	+435	-222	+538	+213
\$25,000-----	3,869	3,313	4,283	+970	-556	+834	+414
\$35,000-----	6,353	4,713	7,073	+2,360	-1,640	+1,350	+720
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	-\$46	+\$46	0	0
\$5,000-----	\$211	326	\$290	-36	+115	+\$79	+\$79
\$7,500-----	520	676	560	-116	+156	+151	+40
\$10,000-----	876	1,026	977	-49	+150	+220	+101
\$12,500-----	1,245	1,376	1,408	+32	+131	+303	+163
\$15,000-----	1,650	1,726	1,908	+182	+76	+398	+258
\$20,000-----	2,535	2,426	2,768	+342	-109	+513	+233
\$25,000-----	3,533	3,126	3,923	+797	-407	+750	+390
\$35,000-----	5,921	4,526	6,653	+2,127	-1,395	+1,362	+732

¹ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-E.—*Tax liabilities and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 25 percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Graduated withholding with allowance		Present 14 percent	Graduated withholding	
						Without allowance	With allowance
SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	-\$33	+\$31	-\$2	-\$2
\$2,000-----	130	187	162	-25	+57	+32	+32
\$3,000-----	250	327	332	+6	+77	+82	+82
\$5,000-----	528	607	672	+65	+79	+144	+144
\$7,500-----	916	957	1,029	+72	+41	+253	+113
\$10,000-----	1,355	1,307	1,529	+222	-48	+339	+174
\$12,500-----	1,847	1,657	2,149	+492	-190	+512	+302
\$15,000-----	2,398	2,007	2,689	+682	-391	+711	+291
\$20,000-----	3,706	2,707	4,189	+1,482	-999	+903	+483
\$25,000-----	5,238	3,407	5,479	+2,072	-1,831	+871	+241
\$35,000-----	8,855	4,807	8,899	+4,092	-4,048	+254	+44
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$42	\$93	\$56	-\$37	+\$51	+\$14	+\$14
\$3,000-----	148	233	200	-33	+85	+52	+52
\$5,000-----	378	513	500	-13	+135	+122	+122
\$7,500-----	701	863	790	-73	+162	+208	+89
\$10,000-----	1,057	1,213	1,215	+2	+156	+277	+158
\$12,500-----	1,418	1,563	1,688	+125	+145	+410	+270
\$15,000-----	1,831	1,913	2,048	+135	+82	+497	+217
\$20,000-----	2,710	2,613	3,048	+435	-97	+663	+338
\$25,000-----	3,694	3,313	4,098	+785	-381	+1,009	+404
\$35,000-----	6,038	4,713	6,863	+2,150	-1,325	+1,665	+825
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	-\$46	-\$46	0	0
\$5,000-----	\$192	326	\$290	-36	+134	+\$98	+\$98
\$7,500-----	488	676	560	-116	+188	+183	+72
\$10,000-----	829	1,026	977	-49	+197	+267	+148
\$12,500-----	1,185	1,376	1,408	+32	+191	+363	+223
\$15,000-----	1,567	1,726	1,768	+42	+159	+481	+201
\$20,000-----	2,410	2,426	2,768	+342	+16	+638	+358
\$25,000-----	3,358	3,126	3,748	+622	-232	+925	+390
\$35,000-----	5,612	4,526	6,443	+1,917	-1,086	+1,671	+831

¹ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6-F.—*Tax liabilities and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 27½ percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (—)		
		Present 14 percent	Graduated withholding with allowance		Present 14 percent	Graduated withholding	
						Without allowance	With allowance
SINGLE INDIVIDUAL							
\$1,000.....	\$16	\$47	\$14	—\$33	+\$31	—\$2	—\$2
\$2,000.....	122	187	162	—25	+65	+40	+40
\$3,000.....	238	327	332	+5	+89	+94	+94
\$5,000.....	505	607	553	—54	+102	+167	+48
\$7,500.....	874	957	1,029	+72	+83	+295	+155
\$10,000.....	1,292	1,307	1,389	+82	+15	+402	+97
\$12,500.....	1,760	1,657	1,909	+312	—103	+599	+209
\$15,000.....	2,278	2,007	2,689	+682	—271	+831	+411
\$20,000.....	3,514	2,707	3,979	1,272	—807	+1,095	+465
\$25,000.....	4,970	3,407	5,269	+1,862	—1,563	+1,139	+299
\$35,000.....	8,418	4,807	8,479	+3,252	—3,611	+691	+161
MARRIED COUPLE, NO DEPENDENTS							
\$2,000.....	\$35	\$93	\$56	—\$37	+\$58	+\$21	+\$21
\$3,000.....	136	233	200	—33	+97	+64	+64
\$5,000.....	358	513	395	—118	+155	+142	+37
\$7,500.....	665	863	790	—73	+198	+244	+125
\$10,000.....	1,010	1,213	1,096	—117	+203	+324	+86
\$12,500.....	1,354	1,563	1,548	—15	+209	+474	+194
\$15,000.....	1,748	1,913	2,048	+135	+165	+580	+300
\$20,000.....	2,585	2,613	2,908	+295	+28	+788	+323
\$25,000.....	3,519	3,313	3,923	+610	—206	+1,184	+404
\$35,000.....	5,723	4,713	6,653	+1,940	—1,010	+1,980	+930
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000.....	0	\$46	0	—\$46	+\$46	0	0
\$5,000.....	\$174	326	\$185	—141	+152	+\$116	+\$116
\$7,500.....	456	676	560	—116	+220	+215	+104
\$10,000.....	782	1,026	858	—168	+244	+314	+76
\$12,500.....	1,126	1,376	1,283	—93	+250	+422	+157
\$15,000.....	1,484	1,726	1,768	+42	+242	+564	+284
\$20,000.....	2,285	2,426	2,628	+202	+141	+763	+343
\$25,000.....	3,191	3,126	3,573	+447	—65	+1,092	+382
\$35,000.....	5,332	4,526	6,233	+1,707	—806	+1,951	+901

¹ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6G.—*Tax liabilities and withholding under present 14 percent and graduated withholding (6-rate) for selected taxpayers (assumes 30 percent deductions or minimum standard deduction)*

Wage income	Tax liability	Amount of withholding		Change in withholding	Overwithholding (+) or underwithholding (—)		
		Present 14 percent	Graduated withholding with allowance		Present 14 percent	Graduated withholding	
						Without allowance	With allowance
SINGLE INDIVIDUAL							
\$1,000-----	\$14	\$47	\$14	—\$33	+\$33	0	0
\$2,000-----	115	187	162	—25	+72	+\$47	+\$47
\$3,000-----	225	327	332	+5	+102	+107	+107
\$5,000-----	481	607	553	—54	+126	+191	+72
\$7,500-----	833	957	1,029	+72	+124	+336	+196
\$10,000-----	1,230	1,307	1,389	+82	+77	+464	+159
\$12,500-----	1,672	1,657	1,969	+312	—15	+687	+297
\$15,000-----	2,162	2,007	2,479	+472	—155	+947	+317
\$20,000-----	3,334	2,707	3,769	+1,062	—627	+1,275	+435
\$25,000-----	4,708	3,407	5,059	+1,652	—1,301	+1,401	+351
\$35,000-----	7,980	4,807	8,059	+3,256	—3,173	+1,129	+179
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$28	\$93	\$56	—\$37	+\$65	+\$28	+\$28
\$3,000-----	126	233	200	—33	+107	+74	+74
\$5,000-----	338	513	395	—118	+175	+162	+57
\$7,500-----	630	863	790	—73	+233	+279	+160
\$10,000-----	962	1,213	1,096	—117	+251	+372	+134
\$12,500-----	1,294	1,563	1,548	—15	+269	+534	+254
\$15,000-----	1,666	1,913	1,908	—5	+247	+662	+242
\$20,000-----	2,460	2,613	2,768	+155	+153	+913	+308
\$25,000-----	3,344	3,313	3,748	+435	—31	+1,359	+404
\$35,000-----	5,436	4,713	6,233	+1,520	—723	+2,267	+797
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	—\$46	+\$46	0	0
\$5,000-----	\$155	326	\$185	—141	+171	+\$135	+\$30
\$7,500-----	426	676	560	—116	+250	+245	+134
\$10,000-----	734	1,026	858	—168	+292	+362	+124
\$12,500-----	1,066	1,376	1,283	—93	+310	+482	+217
\$15,000-----	1,402	1,726	1,628	—98	+324	+646	+226
\$20,000-----	2,172	2,426	2,488	+62	+254	+876	+316
\$25,000-----	3,035	3,126	3,398	+272	+91	+1,248	+363
\$35,000-----	5,052	4,526	5,813	+1,287	—526	+2,231	+761

¹ Allowance does not result in underwithholding because of limitation provided by the bill.

2. *Payments of estimated social security and hospital insurance taxes by self-employed persons.* (Sec. 102 of the bill and sec. 6015 of the code.)

Present law.—Under existing law, self-employed persons are required to pay their social security tax and their tax for the hospital insurance program when they file their final income tax return for a given year. However, they may pay this tax quarterly with their estimated income tax payments.

The tax, which, beginning in 1966, is based on the initial \$6,600 of net earnings from self-employment, is imposed on self-employed individuals who have net earnings from self-employment which total \$400 or more. When an individual also has covered wage income,

this is subtracted from the \$6,600 maximum earnings base, and the self-employment tax is computed on the lesser of this amount or net earnings from self-employment. A taxpayer who has \$400 of net self-employment income must file a final return and pay self-employment tax even if he is not required to file an income tax return.

General explanation.—Your committee's bill places self-employed persons on the same current payment basis with respect to the payment of their self-employment tax that they are now on for income tax purposes. It does so by requiring quarterly payments of estimated self-employment tax. It will place self-employed persons on more nearly the same payments basis for social security purposes as that of employed persons, whose social security tax is withheld from their wages by employers.

The adoption of current payment for self-employment tax is accomplished with a minimum of difficulty for the self-employed taxpayers who currently file declarations of estimated income tax, since the payment of estimated self-employment tax will be integrated with the payment of estimated income tax. For the estimated 1 million self-employed persons who do not now file declarations of estimated income tax but who will be required to file such declarations as a result of this bill, the advantages of current payment will outweigh the added compliance requirements.

The payments of the self-employment tax will, as a result of this bill, be received on a quarterly basis instead of generally on an annual basis as under present law. It is understood that the amounts received on a quarterly basis will be estimated and paid over from the general fund to the OASI, DI, and HI trust funds on a current basis.

Tables 7 and 8 show the maximum dollar amount of self-employment tax and tax liability since 1951.

TABLE 7.—Maximum dollar amount of self-employment tax for individuals, 1951 to 1987

Year	Maximum net earnings base ¹	Tax rate	Maximum tax per person
		<i>Percent</i>	
1951-53.....	\$3,600	2.25	\$81.00
1954.....	3,600	3.0	108.00
1955-56.....	4,200	3.0	126.00
1957-58.....	4,200	3.375	141.75
1959.....	4,800	3.75	180.00
1960-61.....	4,800	4.5	216.00
1962.....	4,800	4.7	225.60
1963-65.....	4,800	5.4	259.20
1966.....	6,600	² 6.15	405.90
1967-68.....	6,600	6.40	422.40
1969-72.....	6,600	7.10	468.60
1973-75.....	6,600	7.55	498.30
1976-79.....	6,600	7.60	501.60
1980-86.....	6,600	7.70	508.20
1987+.....	6,600	7.80	514.80

¹ The minimum net earnings subject to the self-employment rate has been \$400 since 1951.

² Includes OASDI (social security) tax rates and HI (hospital insurance) tax rate of 1966 and all following years.

TABLE 8.—*Self-employment tax liability, 1951 to 1966*

Year	Self-employment tax		
	Number of income tax returns reporting self-employment tax	Amount of self-employment tax	Average tax per return ¹
	<i>Millions</i>	<i>Millions</i>	
1951.....	4.1	\$211.3	\$51.90
1952.....	4.1	217.5	53.60
1953.....	4.2	226.6	53.70
1954.....	4.2	301.5	71.60
1955.....	6.6	463.2	69.70
1956.....	7.4	533.1	72.50
1957.....	7.0	581.2	83.10
1958.....	7.0	589.2	84.00
1959.....	7.0	701.5	99.70
1960.....	6.9	833.5	121.00
1961.....	6.7	840.1	124.50
1962.....	6.7	887.2	132.90
1963.....	6.5	1,002.2	154.60
1964 (preliminary).....	6.3	1,009.0	160.00
1965 (estimate) ²	6.2	1,050.0	169.00
1966 (estimate) ²	6.3	1,500.0	238.00

¹ Average computed from unrounded figures.² Includes doctors of medicine newly covered by the Social Security Amendments Act of 1965.

Explanation of provisions.—Under the bill, a self-employed person generally will be required to file a declaration of estimated tax whenever the combined total of his estimated income tax liability and his estimated social security and hospital insurance tax liability exceeds \$40. Payments of estimated tax will be made as at present with the exception that the amount paid will include both the estimated income tax and the estimated self-employment tax. That is, for calendar-year taxpayers the declaration will have to be filed by April 15 and quarterly payments will be required on April 15, June 15, and September 15 of the current year and on January 15 of the succeeding year.

Persons whose gross income derived from farming and fishing activities will be at least two-thirds of their estimated gross income from all sources will not be required to make quarterly payments of estimated self-employment tax. This treatment conforms to the present provisions for the payment of estimated income tax for farmers and fishermen. Further in conformity with present law regarding estimated income tax, such persons will have until January 15 of the year following the taxable year to file a declaration of estimated tax, and need not file a declaration at all if they choose to file their final tax return by February 15.

A penalty for underpayment of estimated tax will be imposed if amounts paid by the quarterly payment dates equal less than the amounts that would be due on those dates if the estimated tax for the year equaled 80 percent of the combined liability for income and self-employment taxes. The penalty is computed with respect to each installment separately. However, even if the above 80 percent rule is not met, no penalty is imposed with respect to an installment if the estimated tax paid to date equals the amount that would be required to be paid if the estimated tax were the least of the following:

- (1) The sum of the income tax and the self-employment tax shown on the return for the prior year;

(2) The sum of the income tax and the self-employment tax that would be due on the prior year's income under current rates and current exemptions;

(3) An amount equal to 80 percent (66½ percent for farmers and fishermen) of the combined income and self-employment taxes due computed by annualizing the taxable income received in the months in the year prior to the month a particular installment is due. Self-employment income for this purpose is only the amount received to date with the maximum of \$6,600 reduced by employee social security wage income placed on an annualized basis; or

(4) An amount equal to 90 percent or more of the combined tax payable on the income actually received from the beginning of the year up to the month in which the installment is due.

Effective date.—This provision is effective for taxable years beginning after December 31, 1966.

Revenue effect.—This provision is expected to increase fiscal year 1967 trust fund revenues, which are not reflected in the administrative budget, by \$200 million. It will have no effect on revenues in the fiscal year 1966.

3. Underpayment of installments of estimated income tax by individuals. (Sec. 103 of the bill and sec. 6654 of the code.)

Present law.—Under existing law the penalty for underpayment of estimated tax is restricted to the difference between the amount of tax paid through withholding, quarterly installments of estimated tax, or both, and 70 percent of the final liability for the taxable year. This penalty is computed on a quarterly basis. Even if this rule is not met, however, no penalty is imposed if one of four exceptions apply. One of these exceptions provides that the penalty will not be imposed if a quarterly payment equals the amount which would be due if the estimated tax were 70 percent of the tax due on the annualized amount of taxable income received in the months prior to the month the quarterly estimated tax payment is due.

The penalty imposed is a charge equal to 6 percent per year on the amount of underpayment. The penalty is not a deductible expense for tax purposes.

Explanation of provisions.—Your committee's bill increases the proportion of the final liability which is to be paid currently to avoid a penalty from 70 to 80 percent. This amendment restores the pre-1954 requirement. It is consistent with the other provisions of the bill since it more nearly requires current payment of tax. It insures that taxpayers who receive most of their income from sources not subject to withholding will be required to pay a larger share of their tax liability currently just as wage earners will be required to do through graduated withholding.

The bill also modifies the one alternative exception to the penalty which contains a 70 percent test. This is the annualized income test described above where the 70 percent requirement is raised to 80 percent to conform to the principal amendment.

Effective date.—This provision will apply with respect to taxable years which begin after December 31, 1966.

Revenue effect.—It is estimated that the larger estimated taxpayments required under this rule will result in a temporary increase in tax collections that will add \$150 million to revenues in fiscal year 1967.

3. *Acceleration of payment of estimated tax by corporations.* (Sec. 104 of the bill and sec. 6154 of the code.)

Present law.—Corporations with an estimated tax liability in excess of \$100,000 presently are required to make partial payments during the current tax year of their estimated tax in excess of \$100,000. Under the provisions of the Revenue Act of 1964, corporations are in the midst of a transition from a system of two partial payments of currently estimated tax to a system of four payments made by calendar year corporations on April 15, June 15, September 15, and December 15.

Under the present schedule, corporations using the calendar year file an initial declaration and pay 9 percent of their estimated 1966 tax liability in excess of \$100,000 on April 15 of this year. On June 15 they pay an additional 9 percent of the estimated liability, and they pay installments of 25 percent each on September 15 and December 15. The remaining 32 percent of the estimated tax, as well as the initial \$100,000 of tax liability, is paid in equal installments on March 15 and June 15, 1967.

In 1967, the April and June estimated tax payments are each scheduled to be 14 percent of the estimated tax liability above \$100,000. The payment schedule under present law is summarized in table 9.

TABLE 9.—*Payment schedule for calendar year corporations under present law showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	9	9	25	25	16	16
1967.....	14	14	25	25	11	11
1968.....	19	19	25	25	6	6
1969.....	22	22	25	25	3	3
1970.....	25	25	25	25		
1971 and subsequent years.....	25	25	25	25		

¹ Tax in excess of \$100,000.

General explanation.—This bill as reported by your committee accelerates the transition to full current payment of corporate tax liabilities in excess of \$100,000. The transition is completed in 1967 under this bill, instead of 1970 as provided under existing law.

Corporate tax liabilities remain unchanged by the provisions of this bill.

Your committee's bill completes a process which began in 1950. Prior to 1950, corporations were permitted to pay their tax liability for the current year in four quarterly installments in the succeeding year. The Revenue Acts of 1950, 1954, and 1964 contained provisions which gradually required corporations to accelerate the payment of their liabilities to the year in which they accrued, just as individuals have done since 1943. The Revenue Act of 1964 required corporations to pay that portion of their tax liability which exceeds \$100,000 in four equal installments, which for calendar-year corporations are April 15, June 15, September 15, and December 15 of the year in which the liability occurs. It also provided a 7-year period during

which the transition to this collection procedure would be completed. Your committee's bill, in effect, merely reduces the length of the transition period to 4 years.

Under the bill, 12 percent, rather than 9 percent, of the tax in excess of \$100,000 is to be payable by a calendar-year corporation in April and June 1966, and in 1967 and thereafter 25 percent will be payable on each of these two dates. Table 10 shows the schedule of payment dates provided under the bill for a calendar-year corporation for 1966 and subsequent years.

TABLE 10.—*Payment schedule for calendar year corporations under bill showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966-----	12	12	25	25	13	13
1967-----	25	25	25	25		
1968 and subsequent years-----	25	25	25	25		

¹ Tax in excess of \$100,000.

The bill does not impose a hardship on corporations. The majority of corporations, those with small- and medium-sized incomes, are excluded from the provision because their tax liability is less than \$100,000. It is estimated that only 16,000 corporations will be affected by this acceleration. These corporations are generally the largest and possess considerable financial resources.

Corporations affected by this provision will not be put on a fully current basis with respect to their total tax payments, since only the estimated taxes in excess of \$100,000 are affected. Furthermore, the various provisions in existing law that limit the imposition of penalties when estimated payments fall short of actual liabilities are not changed.

Accelerating the corporate tax payments schedule to complete the transition to the current payments basis in 1967 will produce larger payments in 1966 and 1967 than would be made under present law. It also means that the tax payments in 1968, 1969, and 1970 will be lower than those scheduled under present law. These effects of the bill on tax payments are desirable in view of current fiscal policy considerations.

Increased corporate tax payments in 1966 and 1967 will introduce fiscal restraint into the economy during the critical months when the buildup of defense expenditures for Vietnam is greatest. The tax receipts will reduce the budgetary deficit and will reduce the cash flow available to corporations.

The reduction in corporate tax payments in the years 1968 through 1970 below the levels under present law will come when it is hoped the pressures of Federal Government requirements upon the economy's productive capacity have eased off. The corporations affected by this provision then will be in a position to increase their investment expenditures and thereby offset the leveling of Federal Government defense expenditures.

At the present time, investment in industrial plant and equipment is proceeding at record levels. A slowdown in the expected increase in investment spending, therefore, will moderate the demand for productive resources that no longer are in excess supply. Some restraint on increased investment spending under these circumstances appears appropriate. A similar moderation in dividend payments would be reflected in expenditures on consumer goods and would have the same salutary economic effect.

Acceleration of tax payments is preferable to an increase in the corporation income tax rate. Without any further acceleration of tax payments, an increase of 4 or 5 percentage points in the corporation income tax rate probably would be needed to yield the same revenue increase in fiscal year 1967 as the acceleration schedule in this bill.

The acceleration of corporate tax payments will moderate the increase in private investment expenditures and restrain inflationary pressures while permitting employment to continue to expand. The large tax increases necessary to yield as much increased tax receipts as the acceleration of payments might cause sizable reductions of investment expenditures thereby impairing the expansion in economic activity and productive capacity vital to continued stable economic growth.

Effective date.—The revised schedule for corporation tax payments shall apply to taxable years beginning after December 31, 1965.

Revenue effect.—Administrative budget receipts will be increased by \$1 billion in fiscal year 1966 and by \$3.2 billion in 1967 as a result of enactment of this provision.

4. *The excise tax on passenger automobiles.* (Sec. 201 of the bill and sec. 4061 of the code)

Present law.—Prior to the passage of the Excise Tax Reduction Act of 1965, a tax of 10 percent was imposed on the manufacturer's price for passenger automobiles. The rate was reduced to 7 percent for the period June 22, 1965, to December 31, 1965. On January 1, 1966, the tax rate was reduced to 6 percent, and it is scheduled to fall to 4 percent on January 1, 1967, and to 2 percent on January 1, 1968. On January 1, 1969, the tax will be reduced to a permanent level of 1 percent. Refunds will be paid to dealers with respect to automobiles held in inventory on any date on which the tax rate is reduced.

Explanation of provisions.—Your committee's bill restores the excise tax rate on passenger automobiles to the 7-percent rate applicable last December. The restoration of the 7-percent rate is for a 2-year period beginning the day after the date of enactment and ending on March 31, 1968. The excise tax rate on automobiles then will become 2 percent, as scheduled under present law for 1968 and 1 percent on January 1, 1969. Thus there is a moratorium on these tax reductions scheduled under present law for a 2-year period. At the end of that time, however, the rate will revert to the level which would have been in effect in the absence of the moratorium.

A tax of 1 percent of the manufacturer's (or importer's) price is imposed upon all new automobiles held in stock by dealers or distributors on the day when the 7-percent-tax rate becomes effective. The tax is to be paid by the dealer and is to be collected from the dealer by the manufacturer (or importer). The Secretary of the Treasury will pre-

scribe regulations which will instruct the dealer to prepare for the manufacturer (or importer) a list of the cars in his inventory on the day when the 7-percent tax becomes effective together with any other information needed for the manufacturer (or importer) to determine the sales price. The manufacturer (or importer) then will prepare a bill for the dealer on which he itemizes the floor stock tax upon each of these automobiles. The dealer then is to pay this tax to the manufacturer (or importer) who transmits it to the Government. If a dealer refuses to submit either the information or the tax to the manufacturer (or importer), no liability for the tax attaches to the manufacturer if he informs the Internal Revenue Service of the failure. In addition, the manufacturer (or importer) is to provide the dealer with information the dealer can use to show the customer a close approximation of the floor stock tax on each car. This is to be made available on, or shortly after, the date the floor stock tax applies. The Treasury Department may authorize the use of averages in any of the above computations to the same extent as already has been done in the case of the floor stock refunds.

The floor stock tax of 1 percent will be paid on a date not earlier than 60 days after the date of enactment as indicated in regulations prescribed by the Secretary or his delegate.

With regard to the reductions scheduled for 1968 and 1969, tax refunds will be made for inventory on hand. These refunds will be paid to dealers and distributors by manufacturers, and the latter will receive reimbursement from the Government.

Effective date.—The tax rate will be restored to 7 percent effective with respect to sales by manufacturers, producers, and importers beginning with the day after the date of enactment.

Revenue effect.—This provision will increase revenues by \$60 million in the fiscal year 1966 and by \$420 million in the fiscal year 1967.

5. *The excise tax on telephone service.* (Sec. 202 of the bill and sec. 4251 of the code)

Present law.—Under the law in effect prior to January 1, 1966, a 10-percent tax was levied on amounts paid for general and toll telephone and teletypewriter exchange service. This rate was lowered to 3 percent effective as of January 1, 1966, under the provisions of the Excise Tax Reduction Act of 1965. As presently scheduled, the tax rate will fall to 2 percent on January 1, 1967, to 1 percent on January 1, 1968, and will be repealed on January 1, 1969.

Explanation of provision.—Your committee's bill restores the 10-percent excise tax rate on telephone service, including teletypewriter service, and postpones further reduction in the tax rate until April 1, 1968. On that date, the tax rate will fall to the 1-percent rate scheduled under present law to be effective in 1968. Then (as under present law) the tax is repealed on January 1, 1969.

The taxes on communications service which were repealed as of January 1, 1966, are not affected by this bill. Thus, private communications systems, telegraph service, and wire and equipment service will remain exempt from the excise tax.

Exemptions for hospitals.—Your committee's bill provides an exemption from the excise tax for telephone services furnished to nonprofit hospitals exempt from income tax. This is to accord such hospitals the same treatment accorded Government hospitals under present law.

Effective date.—The 10-percent rate on telephone and teletypewriter service is to become effective with respect to bills rendered on or after the first day of the first month which begins more than 15 days after the effective date of this legislation. The exemption for nonprofit hospitals is to go into effect at the same time.

Revenue effect.—This provision will increase revenues by \$785 million in the fiscal year 1967.

V. TECHNICAL EXPLANATION OF THE BILL

SECTION 1. SHORT TITLE, ETC.

(a) *Short title.*—Subsection (a) of section 1 of the bill provides that the bill may be cited as the “Tax Adjustment Act of 1966”.

(b) *Amendment of 1954 Code.*—Subsection (b) of section 1 of the bill provides that whenever in the bill an amendment or repeal is expressed in terms of an amendment to or repeal of a section or other provision, the reference is considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I. ADJUSTMENT OF CERTAIN COLLECTION PROCEDURES

SECTION 101. INCOME TAX COLLECTED AT SOURCE

In general, section 101 of the bill amends section 3402 of the code (relating to income tax collected at source) to provide for new wage withholding rates which are graduated and take into account the minimum standard deduction and to provide new wage bracket withholding tables based upon the new rates. In addition, such section provides for withholding allowances, under certain circumstances, in the case of an employee who has a large amount of itemized deductions.

(a) *Percentage method of withholding.*—Subsection (a) of section 101 of the bill amends section 3402(a) of the code (relating to requirement of withholding). Existing law prescribes a 14-percent withholding rate, which is applied to the amount of the employee's wages reduced by the value of his personal exemptions to the extent he claims them. The amended section 3402(a) of the code contains a number of tables providing graduated percentage withholding rates geared to the payroll period of the employee and the amount of the wage payment. Under these tables no withholding is provided on the first \$200 of wages on an annual basis to reflect the basic \$200 minimum standard deduction granted each single person or married couple. Separate withholding tables are provided for employees who have the status of single persons (including heads of households) and for employees who have the status of married persons. The tables are applicable in respect of wages paid after April 30, 1966.

(b) *Amount of withholding exemption.*—Subsection (b) of section 101 of the bill amends paragraph (1) of section 3402(b) of the code (relating to percentage method of withholding) by changing in the percentage method withholding table the figures representing the amount of one withholding exemption for each specified payroll period. The new figures are based on an annual value of \$700 for one withholding exemption in lieu of the value of \$667 under existing law.

(c) *Wage-bracket withholding.*—Subsection (c) of section 101 of the bill amends paragraph (1) of section 3402(c) of the code (relating to wage-bracket withholding) by providing new wage-bracket withhold-

ing tables for wages paid after April 30, 1966. Separate tables are provided in respect of wages paid to employees who are not married and to employees who are married.

(d) Disclosure of marital status; determination of marital status; treatment of surviving spouse.—Subsection (d) of section 101 of the bill amends section 3402 of the code by adding a new subsection (l).

Section 3402(l). Determination and disclosure of marital status

(1) Determination of status by employer.—The new section 3402(l)(1) provides that an employer, in applying the new tables contained in subsections (a) and (c) of section 3402 of the code (as amended by section 101 of the bill), shall treat an employee as a single person unless there is in effect with respect to such payment of wages a withholding exemption certificate (furnished to the employer after the date of enactment of the bill) which indicates that the employee is married.

(2) Disclosure of status by employee.—The new section 3402(l)(2) provides that an employee may furnish to his employer a withholding exemption certificate indicating that he is married only if the employee is married on the day such certificate is furnished to the employer (determined with the application of the rules in the new subsection (l)(3) of section 3402). Thus, an employee who is contemplating marriage may not, prior to his actual marriage, furnish to his employer a withholding exemption certificate indicating that he is married. An employee who has furnished to his employer a withholding exemption certificate indicating that he is married shall furnish his employer a new withholding exemption certificate if his marital status changes from married to single. A new withholding exemption certificate indicating a change in marital status from married to single shall be furnished to the employer at such time as the Secretary of the Treasury may by regulations prescribe. An employee whose marital status changes from single to married may, but is not required to, furnish his employer with a new withholding exemption certificate indicating such change.

(3) Determination of marital status.—The new section 3402(l)(3) provides rules for determining whether an individual is considered to be single or married for purposes of new section 3402(l)(2) relating to disclosure of marital status by employee. An employee shall on a particular day be considered as not married (1) if on that day the employee is legally separated from his spouse under a decree of divorce or separate maintenance, or (2) if on that day either he or his spouse is a nonresident alien or if on any preceding day within the calendar year in which that day occurs either he or his spouse was a nonresident alien. An employee shall on a particular day be considered as married if (1) his spouse (other than a spouse referred to in the preceding sentence) died within the portion of the employee's taxable year which precedes such day, or (2) his spouse died during one of the two taxable years immediately preceding the taxable year in which such day occurs and it may reasonably be expected, on the basis of the facts existing at the beginning of such day, that the employee, at the close of the taxable year of the employee in which such day occurs, will be a surviving spouse (as that term is defined in section 2(b) of the code).

(e) Withholding allowances for itemized deductions.—Subsection (e)(1) of section 101 of the bill amends section 3402(f)(1) of the code, relating to withholding exemptions, by adding at the end thereof a

new subparagraph (F). Existing section 3402(f)(1) of the code provides that an employee receiving wages shall on any day be entitled to the withholding exemptions specified in subparagraphs (A) through (E) thereof. New subparagraph (F) of section 3402(f)(1) provides that an employee shall on any day be entitled to a withholding exemption for each withholding allowance to which he is entitled under section 3402(m) (added by the bill) and which is not claimed on a withholding exemption certificate in effect for his spouse. As under present law with respect to withholding exemptions, an employee is not required to claim any withholding allowance to which he is entitled.

Subsection (e)(2) of section 101 of the bill amends section 3402 of the code by adding at the end thereof a new subsection (m), relating to withholding allowances based on itemized deductions.

Section 3402(m). Withholding allowances based on itemized deductions

(1) *General rule.*—Under new subsection (m)(1) of section 3402 of the code, an employee may be entitled to one or more withholding allowances depending on the amount of his estimated itemized deductions in relation to his estimated wages. The number of withholding allowances to which an employee is entitled under new section 3402 (m)(1) with respect to a payment of wages is equal to the number obtained by dividing by \$700 the excess of—

(A) the employee's estimated itemized deductions, over

(B) an amount equal to the sum of 12 percent of the first \$7,500 of his estimated wages and 17 percent of the remainder of his estimated wages.

For purposes of determining the number of withholding allowances to which an employee is entitled under new subsection (m)(1), fractional numbers are disregarded.

(2) *Definitions.*—New subsection (m)(2) of section 3402 contains definitions of the terms "estimated itemized deductions" and "estimated wages," which terms appear in subsection (m)(1), and a definition of the term "estimation year."

Estimated itemized deductions.—The term "estimated itemized deductions" means the aggregate amount which the employee may reasonably expect will be allowable as deductions under chapter 1 of the code (exclusive of deductions referred to in section 141 (relating to standard deduction) and section 151 (relating to the allowance of deductions for personal exemptions) and those deductions which are required to be taken into account in determining adjusted gross income under section 62) for the employee's "estimation year". If the aggregate amount of deductions (computed in accordance with the preceding sentence) for an estimation year exceeds the amount of such deductions shown on the employee's Federal income tax return for his taxable year immediately preceding the estimation year, the employee's estimated itemized deductions for such estimation year are an amount equal to the amount of such deductions shown on the employee's Federal income tax return for such preceding taxable year. If, for the taxable year immediately preceding the estimation year, the employee elected under section 144 of the code to use the standard deduction, his estimated itemized deductions for such estimation year are zero.

Estimated wages.—The term "estimated wages" means the aggregate amount which the employee reasonably expects will constitute wages

(as that term is used in chapter 24 of the code) for his estimation year. However, if the aggregate amount of wages (computed in accordance with the preceding sentence) is less than the amount of wages (as that term is used in the preceding sentence) shown on the employee's Federal income tax return for his taxable year immediately preceding the estimation year, the employee's estimated wages for the estimation year shall be an amount equal to the amount of wages shown on such income tax return.

Estimation year.—In the case of an employee who files his Federal income tax return on the basis of a calendar year, the term "estimation year" may, with respect to a payment of wages, mean the calendar year in which such payment is made or the immediately preceding calendar year, as explained below. The estimation year with respect to any payment of wages made to a calendar year taxpayer during the period May 1 to December 31, inclusive, is always the calendar year in which the payment is made. The estimation year with respect to any payment of wages made to a calendar year taxpayer during the period January 1 to April 30, inclusive, is the calendar year in which the payment of wages is made if the following conditions are met:

- (1) The employee has, prior to the date on which the payment of wages is made, filed his Federal income tax return for the calendar year immediately preceding the calendar year in which such payment is made, and

- (2) The employee has in effect, at the time of the payment of wages, one or more withholding allowances based on itemized deductions, and

- (3) The withholding allowances referred to in item (2) were determined by using the calendar year in which the payment of wages is made as the estimation year.

The estimation year with respect to a payment of wages made to a calendar year taxpayer during the period January 1 to April 30, inclusive, is the calendar year immediately preceding the calendar year in which the payment is made in any case where, at the time the payment is made, any of the conditions set forth in items (1), (2), and (3) above is not met.

A taxpayer shall not be entitled to any withholding allowance the determination of which is made by use of an estimation year which begins before January 1, 1967 (see the discussion of sec. 101(e)(6) of the bill). Moreover, a taxpayer shall on any day be entitled to a withholding allowance determined by use of a particular estimation year only if, on or before such day, he has filed his Federal income tax return for his taxable year preceding such estimation year.

The determination of an employee's estimation year with respect to a payment of wages may be illustrated by the following examples:

Example (1).—Employee A, a calendar year basis taxpayer, is first employed by X on January 15, 1968. On that day, employee A makes a determination of the number of withholding allowances to which he is entitled in connection with furnishing a withholding exemption certificate to employer X. Employee A, on January 15, 1968, has not filed his income tax return for the calendar year 1967, and, accordingly, in making the determination, employee A must use as his estimation year the calendar year 1967. (Under the special rule relating to the termination of the effectiveness of a withholding exemption certificate contained in new subsection (m)(3)(C), if em-

ployee A claimed a withholding allowance on his exemption certificate furnished on January 15, 1968, the portion of that certificate on which the withholding allowance was claimed is not effective with respect to any payment of wages made to employee A after April 30, 1968.)

Example (2).—Assume that employee A (referred to in example (1)) files his income tax return for 1967 on February 15, 1968. Thereafter, employee A may make a determination of the number of withholding allowances to which he is entitled using as his estimation year the calendar year 1968, and furnish to his employer a new withholding exemption certificate on which he claims such withholding allowances. The portion of the exemption certificate on which such allowances are claimed will, unless a new certificate is filed by the employee, remain in effect with respect to all payments of wages made to the employee before May 1, 1969.

If an employee files his Federal income tax return on a basis other than the calendar year, his estimation year in respect of any payment of wages (and the amounts deducted and withheld to be governed by such estimation year) shall be determined under regulations prescribed by the Secretary of the Treasury or his delegate.

Computations of withholding allowances.—The computation of withholding allowances under new section 3402(m) may be illustrated by the following example:

Employee B, a single person, filed his income tax return for calendar year 1967 on March 15, 1968. B's wages shown on his return for the calendar year 1967 were \$9,000, but he estimates that for 1968 his wages will be \$10,000. Accordingly, the amount of his estimated wages for the estimation year (1968) is \$10,000. The deductions for calendar year 1967 shown on his return, other than for personal exemptions and other than the deductions required to be taken into account in computing adjusted gross income, were \$2,600. B estimates that for 1968 such deductions will be \$3,000. Accordingly, the amount of B's estimated itemized deductions for the estimation year (1968) is \$2,600. B is entitled to one withholding allowance under section 3402(m), since the excess of the estimated itemized deductions over the sum of 12 percent of the first \$7,500 of estimated wages plus 17 percent of the balance is \$1,275.

(3) *Special rules.*—New subsection (m)(3) of section 3402 contains special rules relating to the withholding allowances to which an employee may be entitled under new subsection (m)(1).

Married individuals.—Subsection (m)(3)(A) provides that the number of withholding allowances to which a husband and wife are entitled under new subsection (m)(1) shall be determined (except as otherwise provided in the immediately succeeding sentence) on the basis of their combined wages and deductions; that is, by aggregating the wages of the husband and wife and by aggregating their deductions. If a husband and wife—

(1) filed separate Federal income tax returns for the taxable year preceding the estimation year, and

(2) expect to file separate returns for the estimation year, the rule set forth in the preceding sentence does not apply and each shall make his own determination on the basis of his own wages and deductions.

If a husband and wife who file joint returns are both employed, one or the other may claim the total number of withholding allowances determined on the basis of their combined wages and itemized deduc-

tions or they may allocate such withholding allowances between themselves. However, such a husband and wife may not both have a withholding exemption certificate in effect claiming the same withholding allowance.

Only one certificate to be in effect.—Subsection (m)(3)(B) provides that an employee who is entitled to one or more withholding allowances under new subsection (m)(1) and who has, at the same time, two or more employers may claim such withholding allowance or allowances with only one of his employers. Thus, if employee A is entitled to two withholding allowances and performs services for both employer X and employer Y, he may claim one or both of his allowances with either employer X or employer Y; he may not, however, claim one allowance with employer X and one allowance with employer Y.

Termination of effectiveness.—Subsection (m)(3)(C) provides that if an employee who files his Federal income tax returns on a calendar year basis has in effect a withholding exemption certificate on which he claims one or more withholding allowances, the portion of such certificate relating to such allowances shall not be effective with respect to any payment of wages made to him after April 30 of the calendar year immediately following the calendar year which was his estimation year for purposes of determining the withholding allowance or allowances claimed on such withholding exemption certificate. For illustrations of the application of this special rule, see the examples set forth above in the discussion of the term “estimation year.”

The period for which withholding allowances claimed by fiscal year taxpayers are to remain effective is to be prescribed in regulations issued by the Secretary of the Treasury or his delegate under the authority contained in new section 3402(m)(2)(C).

Limitation.—Under subsection (m)(3)(D), the Secretary of the Treasury may by regulations provide that the number of withholding allowances to which an employee may otherwise be entitled under subsection (m)(1) is to be reduced if his estimated wages are above the level at which the amounts deducted and withheld under chapter 24 of the code (collection of income tax at source on wages) are generally sufficient to offset the income tax liability with respect to the wages subject to such withholding.

Authority to prescribe tables.—Subsection (m)(3)(E) authorizes the Secretary of the Treasury to prescribe tables under which an employee shall determine the number of withholding allowances to which he is entitled under new section 3402(m). Tables prescribed pursuant to such authorization may be based on reasonable wage and itemized deduction brackets. If such tables are prescribed, the number of withholding allowances to which an employee is entitled under section 3402(m) will be determined under such tables in lieu of the computation prescribed by section 3402(m)(1) (relating to the general rule).

Treatment of allowances.—Subsection (m)(3)(F) provides that, for purposes of the code, any withholding allowance to which an employee may be entitled under new subsection (m) is to be treated as if it were denominated a withholding exemption. Thus, for example, if an employee furnishes his employer a withholding exemption certificate on which he claims three withholding exemptions and one withholding allowance, he will be treated, for purposes of the percentage method withholding table (see sec. 3402(b)(1) of the code) and the wage

bracket withholding tables (see sec. 3402(c)(1) of the code), as claiming four withholding exemptions.

(3) *Status determination date.*—Section 101(e)(3) of the bill amends section 3402(f)(3)(B) of the code which provides rules for determining when a withholding exemption certificate (which replaces an existing certificate) shall take effect. Under existing law, a certificate which is to take the place of an existing certificate (exclusive of a certificate which reflects a change of status affecting the next calendar year, see section 3402(f)(2)(C) of the code) takes effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished to the employer, except that the employer may elect to make the certificate effective with respect to any payment of wages on or after the date on which the certificate is furnished to the employer. Under existing law, the term “status determination date” means January 1 and July 1 of each year. Section 3402(f)(3)(B) as amended provides that the term “status determination date” means January 1, May 1, July 1, and October 1 of each year.

(4) *Civil penalty.*—Subsection (e)(4) of section 101 of the bill amends subchapter B of chapter 68 of the code (relating to assessable penalties) by adding at the end thereof a new section 6682.

Civil penalty.—Under new section 6682(a), if any individual, in claiming a withholding allowance under section 3402(f)(1)(F) of the code, states—

(1) as the amount of the wages (within the meaning of chapter 24 of the code, relating to collection of income tax at source on wages) shown on his return for any taxable year, an amount which is less than such wages actually shown, or

(2) as the amount of the itemized deductions referred to in section 3402(m) of the code on his income tax return for any taxable year, an amount which is greater than such itemized deductions actually shown on such return,

he shall pay a penalty of \$50 for each such statement, unless—

(3) such statement did not result in a decrease in the amounts deducted and withheld under chapter 24, or

(4) the taxes imposed with respect to the individual under subtitle A of the code for the succeeding taxable year do not exceed the sum of—

(A) the credits against such taxes allowed by part IV of subchapter A of chapter 1 of the code, and

(B) the payments of estimated tax which are considered payments of such taxes.

Deficiency procedures not to apply.—New section 6682(b) provides that the provisions of subchapter B of chapter 63 of the code (relating to deficiency procedures for income, estate, and gift taxes) are not to apply in respect of the assessment or collection of any penalty imposed by new section 6682(a).

(5) *Criminal penalty.*—Section 101(e)(5) of the bill amends section 7205 of the code (relating to fraudulent withholding exemption certificate or failure to supply information). Section 7205, as amended, applies in respect of any information which an individual is required to supply to his employer under section 3402 of the code (relating to income tax collected at source), whereas existing section 7205 applies only in respect of information required to be supplied under section

3402(f) of the code. Section 7205, as amended, provides that the criminal penalty imposed by that section for the willful failure to supply information, or for willfully supplying false or fraudulent information, shall not be in lieu of the civil penalty under section 6682 (added to the code by sec. 101(e)(4) of the bill).

(6) *Effective date.*—Section 101(e)(6) of the bill provides that the amendments made by paragraphs (1) and (2) of section 101(e) (relating to withholding allowances for itemized deductions) shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding allowances based on estimation years beginning after such date. Under this provision, a calendar year basis taxpayer is not entitled to a withholding allowance under section 3402(m) of the code, as amended by the bill, unless the determination of the number of withholding allowances to which he is entitled is made on the basis of an estimation year which is a calendar year subsequent to the calendar year 1966.

(f) *Transitional determination status date.*—Subsection (f) of section 101 of the bill provides a special rule for determining when certain withholding exemption certificates, which are furnished for the purpose of taking the place of existing certificates, shall take effect. Section 101(f) of the bill applies only in respect of withholding exemption certificates furnished to employers after the date of the enactment of the bill and before May 1, 1966. A certificate furnished to an employer after such enactment date and before May 1, 1966, is to be effective with respect to the first payment of wages made on or after—

(1) May 1, 1966, or

(2) the 10th day after the date on which the certificate is furnished to the employer,

whichever is the later. However, an employer, at his election, may make a certificate furnished to him during such period effective with respect to any payment of wages made on or after the date on which the certificate is furnished. If an employer elects to make such a certificate effective with respect to a payment of wages made on or before April 30, 1966, the amount to be deducted and withheld from such wages shall be determined under subsection (a) or (c) of section 3402 of the code prior to amendment by the bill (see sec. 101(g) of the bill relating to effective date).

(g) *Effective date.*—The amendments made by section 101 of the bill (other than the amendments made by subsec. (e) thereof) are to apply only with respect to remuneration paid after April 30, 1966. For effective date provisions relating to the amendments made by section 101(e) of the bill, see paragraph (6) thereof.

SECTION 102. ESTIMATED TAX IN CASE OF INDIVIDUALS

(a) *Inclusion of self-employment tax in estimated tax.*—Subsection (a) of section 102 of the bill amends section 6015(c) of the code (relating to definition of estimated tax in the case of an individual). Section 6015(c) of the code presently defines the term “estimated tax” to mean the amount which an individual estimates as the amount of the income tax imposed by chapter 1 for the taxable year, minus the amount estimated as the sum of any credits against tax provided by part IV of subchapter A of chapter 1. Section 6015(c) as amended provides that for purposes of the code the term “estimated tax” also

includes the amount which an individual estimates as the amount of the self-employment tax imposed by chapter 2 for the taxable year.

This section of the bill makes no change in the language of the existing provisions of the code which specify the time when a declaration of estimated tax must be filed (sec. 6073), the number of installment payments of estimated tax to be made for the taxable year and the time for payment of each installment (sec. 6153), which individuals must file a declaration (sec. 6015(a)), and the circumstances under which failure to pay estimated tax constitutes a criminal offense (sec. 7203). However, the amendment made by section 102(a) of the bill adds estimated self-employment tax under chapter 2 to estimated income tax under chapter 1 for purposes of these provisions of the code. Thus, for example, individuals whose combined estimated income tax (if any) and estimated self-employment tax (if any) can reasonably be expected to be \$40 or more are required to file a declaration if they otherwise meet the requirements of section 6015(a).

In determining the amount of an installment payment of estimated tax under sections 6015 and 6153, the computation includes both the income and self-employment tax. For example, assume that self-employed individual (other than a farmer or fisherman) estimates that his income and self-employment tax liability for the calendar year 1967 will be \$1,600 and \$400, respectively. He is required to pay his estimated tax of \$2,000 in four equal installments of \$500.

(b) *Addition to tax for underpayment of estimated tax.*—Subsection (b) of section 102 of the bill amends section 6654 (a), (d), and (f), section 7701(a), and section 1403(b) of the code.

ADDITION TO THE TAX

Paragraph (1) of section 102(b) of the bill amends section 6654(a) of the code (relating to addition to the tax for underpayment of estimated tax by an individual). Section 6654(a) of the code presently provides for an addition to the income tax under chapter 1 in the case of an underpayment of estimated tax by an individual, except as provided in subsection (d). Section 6654(a), as amended, provides that such addition is to be imposed with respect to the sum of the income tax under chapter 1 (if any) and the self-employment tax under chapter 2 (if any) for the taxable year.

EXCEPTION FROM ADDITION TO THE TAX

Paragraph (2) of section 102(b) of the bill amends section 6654(d) of the code (relating to exception from the addition to the tax for underpayment of estimated tax by individuals). Section 6654(d) presently provides that the addition to the tax is not imposed with respect to any installment where the installment payment of estimated tax is not less than an amount based on (1) the previous year's tax (sec. 6654(d)(1)(A)); or (2) the tax based on the facts shown on the previous year's return but computed on the basis of current rates and current exemptions (sec. 6654(d)(1)(B)); or (3) 70 percent (66⅔ percent in the case of farmers and fishermen) of the tax computed on the basis of annualized taxable income for the months of the taxable year preceding the month in which the installment is due (sec. 6654(d)(1)(C)); or (4) 90 percent of the tax computed on the actual taxable income (not annualized) for the months of the taxable year

preceding the month in which the installment is due as if such months constituted the taxable year (sec. 6654(d)(2)).

LAST YEAR'S TAX

Paragraph (1) of section 6654(d), as amended, is identical with existing section 6654(d)(1)(A). However, by reason of the change in the meaning of the word "tax" made by section 102(b)(3) of the bill, effective with respect to declarations for taxable years beginning after 1966, the tax shown on the return for the preceding taxable year will be the combined chapters 1 and 2 taxes.

ANNUALIZATION

Paragraph (2) of section 6654(d), as amended, is a modification of existing section 6654(d)(1)(C). Section 6654(d)(1)(C) of existing law provides an exception where the estimated tax payments equal at least 70 percent (66⅔ percent in the case of farmers and fishermen) of the tax computed on the basis of annualized taxable income for the months in the taxable year preceding the month in which the installment is due. Under the provisions of paragraph (2) of section 6654(d), as amended, the tax on adjusted self-employment income is included for purposes of this exception if net earnings from self-employment for the taxable year equal or exceed \$400.

The method by which taxable income is annualized is set forth in subparagraph (A) of section 6654(d)(2) and is identical with existing law. The term "adjusted self-employment income" is defined in subparagraph (B) of section 6654(d)(2) to mean—

(1) the net earnings from self-employment (as defined in sec. 1402(a)) for the months in the taxable year preceding the month in which the installment is due, as if such months constituted the taxable year, but not more than

(2) the excess of (A) \$6,600, over (B) the amount of the wages (within the meaning of section 1402(b)) for the months in the taxable year preceding the month in which the installment is due placed on an annualized basis. For this purpose wages are annualized in a manner consistent with clauses (i) and (ii) of subparagraph (A); that is, by multiplying by 12 (or the number of months in the taxable year in the case of a taxable year of less than 12 months) the wages for the months in the taxable year preceding the month in which the installment is due, and dividing the resulting amount by the number of such months.

The application of this provision is illustrated by the following examples:

Example 1.—Assume that X, a calendar year taxpayer who is self-employed (other than as a farmer or fisherman), has annualized taxable income of \$6,900 for the period January 1, 1967, through August 31, 1967, the income tax on which is \$1,171. For the same period his net earnings from self-employment are \$5,000 and his wages are \$1,000. The adjusted self-employment income is \$5,000, computed as follows:

(1) Net earnings from self-employment.....	\$5,000
(2) But not more than \$6,600 minus annualized wages (\$6,600—\$1,500 (\$1,000×12÷8)).....	5,100
(3) Lesser of (1) or (2).....	5,000

The tax on X's adjusted self-employment income is \$320 ($\$5,000 \times 6.4$ percent). X's total estimated tax payments required to be paid by September 15, 1967, for purposes of this exception, must equal or exceed \$1,192.80; that is, 80 percent¹ of \$1,491 ($\$1,171 + \320).

Example 2.—Assume the same facts as in example 1, except that X's wages for the period January 1, 1967, through August 31, 1967, are \$2,000. The adjusted self-employment income is \$3,600, computed as follows:

(1) Net earnings from self-employment	\$5,000
(2) But not more than \$6,600 minus annualized wages ($\$6,600 - \$3,000 (\$2,000 \times 12 \div 8)$)	3,600
(3) Lesser of (1) or (2)	3,600

The tax on X's adjusted self-employment income is \$230.40 ($\$3,600 \times 6.4$ percent). X's total estimated tax payments required to be paid by September 15, 1967, for purposes of this exception, must equal or exceed \$1,121.12; that is, 80 percent of \$1,401.40 ($\$1,171 + \230.40).

THE 90 PERCENT TEST

Paragraph (3) of section 6654(d), as amended, is a modification of existing section 6654(d)(2). Section 6654(d)(2) presently provides an exception where the total amount of estimated tax payments is at least 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year preceding the month in which the installment is due as if such months constituted the taxable year. Under the provisions of paragraph (3) of section 6654(d), the tax on actual self-employment income is included for purposes of this exception. Actual self-employment income means the net earnings from self-employment (as defined in sec. 1402(a)) for the months in the taxable year preceding the month in which the installment is due as if such months constituted the taxable year, but not more than \$6,600 minus the wages (within the meaning of sec. 1402(b)) for such months. Section 6654(d)(3) provides, consistent with existing law, that the months of the taxable year for which the determination of actual taxable income and actual self-employment income is made for purposes of this exception are treated as constituting the taxable year. The application of this provision is illustrated by the following example:

Example.—Assume that X, a calendar year taxpayer who is self-employed (other than as a farmer or fisherman), has actual taxable income of \$3,800 for the period January 1, 1967, through August 31, 1967, the income tax on which is \$586. For the same period his net earnings from self-employment are \$5,000 and his wages are \$2,000. His actual self-employment income for such period is \$4,600, computed as follows:

(1) Net earnings from self-employment	\$5,000.
(2) But not more than \$6,600 minus wages ($\$6,600 - \$2,000$)	\$4,600.
(3) Lesser of (1) or (2)	\$4,600.

The tax on X's actual self-employment income is \$294.40 ($\$4,600$ times 6.4 percent). X's total estimated tax payments required to be paid by September 15, 1967, for purposes of this exception, must

¹ The 70 percent referred to in sec. 6654(d)(2) is changed to 80 percent by sec. 103 of the bill.

equal or exceed \$792.36; that is, 90 percent of \$880.40 (\$586 plus \$294.40).

TAX BASED ON LAST YEAR'S INCOME

Paragraph (4) of section 6654(d) as amended is identical with existing section 6654(d)(1)(B). By reason of the change in the meaning of the word "tax" made by section 102(b)(3) of the bill, the tax includes the tax (computed at the rates applicable to the taxable year) on the self-employment income shown on the return for the preceding taxable year.

DEFINITION OF TAX

Paragraph (3) of section 102(b) of the bill amends section 6654(f) of the code (relating to definition of tax for purposes of subsections (b) and (d) of section 6654). Section 6654(f) presently provides that, for purposes of subsections (b) and (d) of section 6654, the term "tax" means the income tax imposed by chapter 1 reduced by certain credits. Section 6654(f) as amended provides that the term "tax" also includes the self-employment tax imposed by chapter 2, for purposes of such subsections.

DEFINITION OF ESTIMATED INCOME TAX

Paragraph (4) of section 102(b) of the bill amends section 7701(a) (relating to definitions) by adding a new paragraph (34) which defines the term "estimated income tax" as used in the code to mean, in the case of an individual, the estimated tax as defined in section 6015(c), or, in the case of a corporation, the estimated tax as defined in section 6016(b).

CROSS REFERENCE

Paragraph (5) of section 102(b) of the bill amends section 1403(b) of the code (relating to cross references) to provide a cross reference to section 6015 of the code.

(c) *Ministers, members of religious orders, and Christian Science practitioners.*—Section 102(c) of the bill amends section 1402(e)(3) of the code (relating to effective date of waiver certificates) to provide a special rule in the case of ministers, members of religious orders, and Christian Science practitioners who file waiver certificates (as described in sec. 1402(e)(1)).

Section 1402(e)(3) as amended contains a new subparagraph (E) which provides that, for purposes of sections 6015 and 6654, a waiver certificate described in section 1402(e)(1) is treated as taking effect on the first day of the first taxable year beginning after the date on which such certificate is filed. Thus, for example, if a minister who is a calendar year taxpayer files a waiver certificate (pursuant to sec. 1402(e)) on April 15, 1968, such certificate will not be effective for purposes of sections 6015 and 6654 until the taxable year 1969. Accordingly, although such minister may be liable for self-employment tax for 1967 and 1968, he is not required to include an estimate of such liability in his declaration of estimated tax for such years and is not subject to an addition to the tax (under sec. 6654(a)) with respect to his self-employment tax liability for such years.

(d) *Effective date.*—Subsection (d) of section 102 of the bill provides that the amendments made by subsections (a), (b), and (c) of section

102 of the bill shall apply with respect to taxable years beginning after December 31, 1966.

SECTION 103. UNDERPAYMENT OF INSTALLMENTS OF ESTIMATED INCOME TAX IN CASE OF INDIVIDUALS

(a) *In general.*—Under section 6654(b) of the code the amount of the underpayment of estimated tax for purposes of computing the addition to tax on account of underpayment is the excess of (1) the amount of the installment which would be required to be paid if the estimated tax were equal to 70 percent (66½ percent in the case of farmers or fishermen) of the tax shown on the return for the taxable year or, if no return was filed, 70 percent (or 66½ percent) of the tax for such year, over (2) the amount, if any, of the installment paid on or before the last date prescribed for such payment. Under section 6654(d)(2), as amended by section 102(b)(2) of the bill, the addition to tax with respect to any underpayment of an installment is not to apply if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of the installment equals or exceeds 70 percent (66½ percent in the case of farmers or fishermen) of the tax for the taxable year computed as provided in such section.

Subsection (a) of section 103 of the bill amends section 6654(b) (relating to amount of underpayment), and section 6654(d) (relating to exception) as amended by section 102(b)(2) of the bill, by striking out “70 percent” each place it appears and inserting in lieu thereof “80 percent.”

(b) *Effective date.*—Subsection (b) of section 103 of the bill provides that the amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

SECTION 104. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS

(a) *In general.*—Section 6154(a) of the code sets forth the amount of, and time for payment of, each installment payment of estimated income tax by a corporation required to file a declaration of estimated income tax under section 6016 of the code (i.e., a corporation the tax of which under subtitle A for the taxable year, after reduction by credits, can reasonably be expected to exceed \$100,000).

Section 104 of the bill does not make any change in the requirements for filing a corporate declaration of estimated income tax, nor does it make any change in the time for paying installments of such estimated tax. However, it does make changes in the amount of the installments. Under existing law, a corporation required to pay estimated tax for a taxable year in four installments has a third and fourth installment each of which is equal to 25 percent of the estimated tax. However, its first and second installments are each as follows:

For taxable years beginning in—	Percentage of estimated tax
1966-----	9
1967-----	14
1968-----	19
1969-----	22
1970 or any subsequent year-----	25

Under section 104 of the bill, the first and second installments of estimated tax of such a corporation will each be as follows:

	<i>Percentage of estimated tax</i>
For taxable years beginning in —	
1966-----	12
1967 or any subsequent year-----	25

The bill makes comparable changes for those corporations which are required to pay estimated income tax in three, two, or one installments (i.e., those corporations which are not required to file a declaration by the 15th day of the 4th month of their taxable year but are required to file declarations later in the taxable year by reason of liability for income tax then reasonably expected). The effect of these changes for these corporations is that, for a taxable year beginning in 1966, 74 percent of the estimated tax will be payable in installments, and that, for any taxable year beginning after 1966, 100 percent will be payable in installments.

(b) *Effective date.*—The amendment to section 6154(a) of the code applies with respect to taxable years beginning after December 31, 1965. Thus, in the case of a calendar year corporation required to pay four installments of estimated tax during 1966, the amendment first applies with respect to the installment due on April 15, 1966.

TITLE II—POSTPONEMENT OF CERTAIN EXCISE TAX REDUCTIONS

SECTION 201. PASSENGER AUTOMOBILES

(a) *Postponement of rate reductions.*—Subsection (a) of section 201 of the bill amends section 4061(a)(2)(A) of the code (relating to tax on automobiles) to restore the excise tax on passenger automobiles to 7 percent and to defer further reductions in this tax until April 1, 1968.

Section 4061(a)(2) of existing law imposes an excise tax on sales, by a manufacturer or importer, of passenger automobiles and trailers (other than house trailers) suitable for use with passenger automobiles, under the following rate schedule:

Seven percent for the period June 22, 1965, through December 31, 1965,

Six percent for the period January 1, 1966, through December 31, 1966,

Four percent for the period January 1, 1967, through December 31, 1967,

Two percent for the period January 1, 1968, through December 31, 1968, and

One percent for the period after December 31, 1968.

The new rate reduction schedule under section 4061(a)(2)(A), as amended by subsection (a) of section 201 of the bill, is:

Seven percent for the period beginning with the day after enactment of the bill through March 31, 1968,

Two percent for the period April 1, 1968, through December 31, 1968, and

One percent for the period after December 31, 1968.

(b) *Floor stocks tax.*—Subsection (b)(1) of section 201 of the bill adds a new paragraph (8) to section 4226(a) of the code (relating to floor stocks taxes) which imposes a floor stocks tax of 1 percent on each

passenger automobile¹ which was subject to tax under section 4061 (a)(2) and which is held by a dealer, has not been used, and is intended for sale, on the day after the bill is enacted. The 1-percent floor stocks tax is computed on the price for which the automobile was sold by the manufacturer or importer.

Under regulations to be prescribed by the Secretary of the Treasury or his delegate, the floor stocks tax is to be paid by the dealer holding the automobile on which it is imposed and collected from him by the manufacturer or importer of the automobile.

Subsection (b)(2) of section 201 of the bill amends section 4226(d) to provide that the new floor stocks tax shall be paid at such times after 60 days after the day on which the bill is enacted as may be prescribed by the Secretary of the Treasury or his delegate.

(c) *Conforming amendments.*—Section 6412(a)(1) of the code presently provides for floor stocks refunds with respect to automobiles in dealers' inventories on each of the dates on which a reduction in the excise tax is scheduled. Subsection (c)(1) of section 201 of the bill amends section 6412(a)(1) to conform the floor stock refund dates to the revised rate reduction schedule.

Subsection (c)(2) of section 201 of the bill makes a technical amendment to section 209(c)(1)(G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the highway trust fund) under which the revenue received from the floor stocks tax imposed by new section 4226(a)(8) will go into the general fund instead of the highway trust fund.

(d) *Effective date.*—Subsection (d) of section 201 of the bill provides that the amendment made by subsection (a) shall apply with respect to articles sold after the date on which the bill is enacted.

SECTION 202. COMMUNICATION SERVICES

(a) *Postponement of rate reductions.*—Subsection (a) of section 202 of the bill amends section 4251 of the code (relating to tax on communications) to restore the excise tax on local and toll telephone service (and teletypewriter exchange service) to 10 percent and to defer further reductions in this tax until April 1, 1968.

Section 4251 of existing law imposes an excise tax on amounts paid for local and toll telephone service and teletypewriter exchange service under the following rate schedule:

	<i>Tax rate in percent</i>
Amounts paid pursuant to bills first rendered—	
During 1966.....	3
During 1967.....	2
During 1968.....	1
After 1968.....	(1)

¹ No tax.

The new rate reduction schedule under section 4251, as amended by subsection (a)(1) of section 201 of the bill, is:

	<i>Tax rate in percent</i>
Amounts paid pursuant to bills first rendered—	
Before Apr. 1, 1968.....	10
After Mar. 31, 1968, and before Jan. 1, 1969.....	1
After 1968.....	(1)

¹ No tax.

¹ Includes trailers (other than house trailers) suitable for use with passenger automobiles.

Subsection (a)(2) of section 202 of the bill amends section 4251(c) to conform the special rule contained therein to the new rate reduction schedule.

(b) *Nonprofit hospitals.*—Subsection (b) of section 202 of the bill adds a new subsection (h) to section 4253. The new subsection (h) provides that no tax shall be imposed under section 4251 on any amount paid by a nonprofit hospital for communication services furnished to such hospital. A “nonprofit hospital” is defined in the new subsection (h) to mean a hospital referred to in section 503(b)(5) which is exempt from income tax under section 501(a). Under this amendment, private nonprofit hospitals will receive the same tax-exempt treatment on their payments for communication services as is applicable under section 4292 to hospitals operated by a State or local government.

(c) *Effective date.*—The amendments made by subsections (a) and (b) of section 202 of the bill are to apply to amounts paid pursuant to bills first rendered on or after the first day of the first month which begins more than 15 days after the date on which the bill is enacted for services rendered on or after such first day. In the case of amounts paid pursuant to bills rendered on or after such first day for services which were rendered before such first day and for which no previous bill was rendered, such amendments are to apply except with respect to such services as were rendered more than 2 months before such first day. In the case of services rendered more than 2 months before such first day, the provisions of subchapter B of chapter 33 of the code in effect at the time such services were rendered, subject to the provision of section 701(b)(2) of the Excise Tax Reduction Act of 1965, are to apply to the amounts paid for such services.

VI. SEPARATE VIEWS OF REPRESENTATIVE PAT JENNINGS

FISCAL RESPONSIBILITY

The Revenue Act of 1964 gave the American taxpayer the largest tax cut in the history of our country, and in doing so, the Congress acted in a fiscally responsible manner.

That act, which I wholeheartedly supported, was designed to bring about a balance of our Federal budget, and I think would have accomplished that purpose except for the Vietnam conflict.

Before enactment of the Excise Tax Reduction Act of 1965, I cautioned the Members of Congress that each measure must be judged in terms of its impact on the Federal budget and in the light of our defense posture in Asia, and elsewhere. Fiscal responsibility should be stressed, I said, and should be the guiding force and dominant feature in any future tax legislation.

In his budget message to the Congress this year, the President estimates a budget deficit of \$6.4 billion for fiscal year 1966 and a deficit of \$1.8 billion for fiscal year 1967.

These deficits will exist although the Congress has been asked to approve a tax measure which will result in a revenue increase of \$4.8 billion when the measure is fully effective.

In this connection, we should ask ourselves whether we, as representatives of the people, have accepted fully our responsibilities. Our goal under present circumstances should be one of achieving a balanced budget, and all efforts should be aimed in that direction.

American lives are being sacrificed on the battlefield, and I am convinced Americans at home are willing to make the necessary sacrifice to pay for the support of our fighting forces in Vietnam.

This legislation is titled the "Tax Adjustment Act of 1966." But, in my estimation it fails to meet the needs. It is unfair in the treatment of the excise taxes. I believe the American people would desire that our revenues be obtained in a different manner.

The bill makes several adjustments in tax collection procedures that will speed up income tax payments by individuals and corporations. No additional tax burdens are imposed. This I favor. It restores the excise tax on automobiles and communications to the levels of January 1, 1966. It delays the scheduled reductions in the taxes on automobiles and telephones—which apply to essentials for the American people. I believe it is unfair to restore and delay further cuts in the excise taxes on automobiles and telephones and not consider restoring the cuts on the luxury and other items not as essential to our economy and our people.

Why raise excise taxes on automobiles and communications and not restore the excises on such items as furs, jewelry, luggage and handbags, and toilet preparations in the retail field? Why not restore manufacturers' taxes on such items as television sets and sporting goods, just to name two items on the list reduced last year. And, what about restoring the taxes on cabarets and clubs?

Personally, I do not wish to restore any of these excise taxes, which are considered regressive in nature. I reiterate that we should not raise the excise rates that affect automobiles and telephones, however, unless we turn to other less essential items.

It seems to me that it would be more fiscally responsible to ask the American taxpayers—both individuals and corporations—to give up half of the income tax cut received under the 1964 Act as his contribution to the war effort. This would result in revenue increases, at a minimum, of more than \$5.5 billion annually. The American public, I am sure, would support such a “victory tax.” It would bring about a balance in the Federal budget, and in my judgment would be a much more fiscally responsible approach to our domestic and world situation today.

Needless to say, this tax would apply to taxpayers who could best afford it. The excise or “nuisance taxes” apply to those least able to afford them—except in the so-called luxury items.

Finally, the “victory tax” increase could be eliminated swiftly and we could all feel much better over the results—revenues to finance the Vietnam war and a balanced budget.

W. PAT JENNINGS.

**VII. SEPARATE VIEWS OF MESSRS. BYRNES, CURTIS,
SCHNEEBELI, COLLIER, BROYHILL (VA.), AND BATTIN
ON H.R. 12752**

Faced with a major war in Vietnam and a real danger of inflation at home, the administration continues to enlarge and to expand domestic programs of dubious value without regard to the consequences. By this action, the administration courts disaster.

While attention has been focused on what the administration projects as a deficit of \$1.8 billion for fiscal 1967, without the additional revenue provided for in this bill by the administration's own estimate this deficit would be \$6.6 billion. To this must also be added the deficit now projected by the administration in its revised budget for fiscal 1966, amounting to \$6.4 billion. Without this bill, the projected deficit for fiscal 1966 would be \$7.5 billion.

It is becoming more and more apparent that we cannot continue to pile deficit upon deficit through increased Government spending, as the administration seeks to do, without reaping the consequences. This practice has already given rise to a deficit in our balance of payments, a threat to international monetary stability, a "run" on our gold reserves, serious problems in debt management, and finally we are now faced with a real threat of serious inflation.

Our problem today does not stem from a lack of revenue, but from a lack of control over Government spending. Even without this bill, our tax revenues will have increased from \$78 billion in fiscal 1961 to more than \$106 billion in fiscal 1967, an increase of \$28 billion.

The high level of prosperity which was achieved by the fall of 1965, did not result from increased Government expenditures. On the contrary, expenditures for fiscal 1964 were held to \$97.7 billion and expenditures for fiscal 1965 were held to \$96.5 billion, which was below the level proposed by the Republicans as essential for a sound program of tax reduction when the Tax Reduction Act of 1964 was before the House. Our position was fully vindicated. Tax reduction, when coupled with a leveling off of Government expenditures, was all that was needed to produce a healthy growth in our economy. However, the administration was not satisfied.

Beginning in the fall of 1965, the administration abandoned its attitude of restraint. Government spending was stepped up, not only on account of the war in Vietnam, but for nondefense purposes as well. As a result, by fiscal 1967 the administration's reported spending will have increased to \$112.8 billion, to which should be added an additional \$6 billion realized from the sale of loans and other Government assets which has been used to reduce expenditures in fiscal 1967. We are thus dealing with an expenditure budget of \$118.8 billion for fiscal 1967, or a \$37 billion increase in the level of Federal spending since fiscal 1961. Less than one-third of this increase can be attributed to the war in Vietnam.

When these increased Government expenditures at home, coupled with the expenditures incident to the war in Vietnam, are imposed on an already record private demand, there is an invitation to disaster. A slight miscalculation can bring on controls over wages, prices and credit, as well as ruinous inflation. The administration is asking for "trouble." In a recent (Jan. 25, 1966) editorial, entitled "A Troubled Budget," the New York Times points up this danger. The New York Times said:

All budgets of course contain an element of optimism, but the estimates in the administration's new budget seem to possess more than the usual amount of wishful thinking, especially in appraising the cost of Vietnam and the threat of inflation. It is understandable that the administration is in this frame of mind. It has boldly pursued expansionary policies without as yet inducing outright inflation as its critics had predicted. So it still thinks there is room for a little more of the same. But now the margin for error is dangerously slim. The only way the President has been able to limit the budget deficit is by projecting a very big increase in revenues and a relatively moderate rise in military expenditures.

This may be the popular thing to do. Indeed, as budgets go, the new design, which pushes up spending and holds down taxes, qualifies as an exercise in pop art. It also indulges in some pop art illusions. Mr. Johnson admitted as much in warning that he would ask for tax increases if the Pentagon needs more funds or if inflation gets out of hand; but for the moment the impact of the budget will be at least mildly expansionary when the state of the economy suggests that it should be at least mildly restrictionist. In this respect, the budget is asking for trouble.

Our troops in Vietnam have our full support. Their needs must be fully met. In order to meet these needs, however, there must be more "belt tightening" at home. In this bill, the administration is asking the American taxpayers to tighten their belts to the extent of some \$6 billion in increased taxes and accelerated taxpayments. The administration should make a commensurate effort to tighten its belt. Nonessential expenditures should be cut back and the initiation of new programs deferred until after the emergency. We must be prepared also to win the war at home—the war on inflation.

In urging a cutback in domestic programs, the Republicans are not unmindful of the plight of the less fortunate—the so-called poor—in a highly industrialized society. Yet, inflation strikes hardest at the poor, who are least equipped to meet it. No amount of Federal aid can offset its effect. The war on poverty cannot be won, if we lose the war on inflation.

Instead of being willing to tighten its belt, the administration has resorted to a series of temporary measures, not looking beyond fiscal 1967. Proposals for the "speedup" of tax collections, the postponement of reductions in excise taxes, and additional so-called user taxes, are counted on to produce approximately \$5 billion in additional revenues. Seigniorage earnings, representing the savings in taking the silver out of the coins, produce a "windfall" profit of \$1.6 billion.

Revenues from the sale of private financing of Government-held loans, and the sale of commodities and strategic materials, are scheduled to produce a "saving" in expenditures of more than \$6 billion. Thus, for fiscal 1967, the administration is relying largely upon a series of "one shot" measures for nonrecurring revenues of more than \$12 billion.

Notwithstanding the inclusion in the budget for fiscal 1967 of non-recurring revenues of more than \$12 billion, coupled with an unprecedented projected level of economic growth and tax revenues, the administration's budget shows a deficit of \$1.8 billion. If the administration cannot present a balanced budget under these conditions, when does the administration propose to balance the budget?

If there were any assurance that the war in Vietnam would not extend beyond the fiscal year 1967, there might be some justification for financing that war through a series of temporary expedients. On the contrary, however, we are told to prepare for a long struggle in Vietnam. If this is correct, and domestic spending continues even at the present level, how does the administration propose to raise the additional revenues which will be required for fiscal 1968?

The administration knows that increased expenditures for social programs at home and abroad, in the face of the escalating costs of the war in Vietnam, have already created dangerous inflationary pressures. The administration may be forced to seek controls over wages, prices and credit as well as further increases in taxes, if it continues on its present course. Apparently, the administration is willing to take this risk if the "day of truth" can be postponed until after the November congressional elections.

We are unalterably opposed to the fiscal policies which make it necessary to raise an additional \$5 billion in revenues for fiscal 1967. Under present circumstances, however, it is our judgment that the failure to raise additional revenues at this time will increase the danger of inflation and aggravate the problems with respect to our balance of payments, gold flow, and debt management. We therefore reluctantly support this bill. We caution, however, that unless the administration and the Congress are willing to establish strict priorities for its nondefense programs, and put some of them "on the shelf" for a later day, this bill will be only the first in a series of bills increasing taxes and imposing controls on our economy.

JOHN W. BYRNES.
THOMAS B. CURTIS.
HERMAN T. SCHNEEBELI.
HAROLD R. COLLIER.
JOEL T. BROYHILL.
JAMES F. BATTIN.

VIII. DISSENTING VIEWS OF MESSRS. UTT AND BETTS

Portions of this bill which increase withholding of income taxes and acceleration of payment of corporate income taxes are desirable and in our opinion overdue. But we find it impossible to support the provisions which restore excise taxes on automobile sales and the use of telephones. We are in complete agreement with the purpose of securing revenue for the prosecution of the war in Vietnam but firmly believe it should be accomplished in other ways.

If the Congress does not enact this bill, it will be incumbent upon the administration to reduce nonessential expenditures in order to make up for the revenue loss. This bill merely relieves the administration of that responsibility.

Notwithstanding the increased costs of the war in Vietnam, an increase in taxes at this time would have been wholly unnecessary if the administration had not elected to increase expenditures for wasteful and ineffective social programs beyond the levels of prior years. It is indeed anomaly that with increased prosperity, more jobs, and less unemployment, we are asked to appropriate more and more funds for social welfare. We think that it is time that the Congress took a good hard look at these programs before increasing taxes.

It is easy to understand why the administration chose the automobile and telephone industries as the areas for raising revenue. Both are enjoying unprecedented prosperity. The tax is not a burden on the industries because both thrive on a captive market. The telephone and automobile are necessities in American life. But this is no justification for selecting the car buyer and telephone user to finance the war and check inflation.

In support of the bill we are told that the car manufacturers and the larger telephone companies do not object to this tax restoration. Actually this is no argument at all. It is the car buyers and telephone users who ultimately pay the taxes—not the companies.

Furthermore, limiting the tax restoration to these two fields leaves the purchasers of mink coats, jewelry, and luxury items free of the burden of checking inflation and supporting the war effort.

In our prosperous economy we freely admit that this bill will probably not affect the car or telephone business to any serious extent. But as a matter of principle we object to singling out specific areas to bear the burden of raising revenue. We feel that inflation and the war effort are serious enough to warrant support from the entire economy by further reduction of domestic spending or, if necessity requires, an income tax increase.

For these reasons we cannot support the bill.

JAMES B. UTT.
JACKSON E. BETTS.

Union Calendar No. 545

89TH CONGRESS
2D SESSION

H. R. 12752

[Report No. 1285]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1966

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

FEBRUARY 15, 1966

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

7 TITLE I—ADJUSTMENT OF CERTAIN COLLECTION
8 PROCEDURES

9 SECTION 101. INCOME TAX COLLECTED AT SOURCE.

(a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
section (a) of section 3402 (relating to requirement of
withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

1 plied by the amount of one such exemption as shown in the
2 table in subsection (b) (1) :

“Table 1—If the payroll period with respect to an employee is
WEEKLY

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

4 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

“Table 2—If the payroll period with respect to an employee is
BIWEEKLY

5 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
\$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is
SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

**“Table 4—If the payroll period with respect to an employee is
MONTHLY**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

**“Table 5—If the payroll period with respect to an employee is
QUARTERLY**

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

**“Table 6—If the payroll period with respect to an employee is
SEMIANNUAL**

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

**“Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000---	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

**“Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 “(a) Single Person—Including Head of Household:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90-----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10-----	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10--	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

1 “(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30-----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10-----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50---	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30---	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-

3 graph (1) of section 3402 (b) (relating to percentage

4 method withholding table) is amended by striking out the

5 table set forth therein and inserting the following table in

6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)

8 of section 3402 (c) (relating to wage bracket withholding)

1 is amended by striking out the tables set forth therein and
 2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0.....	\$4.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4.....	\$5.....	\$0.10	0	0	0	0	0	0	0	0	0	0
\$5.....	\$6.....	.20	0	0	0	0	0	0	0	0	0	0
\$6.....	\$7.....	.40	0	0	0	0	0	0	0	0	0	0
\$7.....	\$8.....	.50	0	0	0	0	0	0	0	0	0	0
\$8.....	\$9.....	.70	0	0	0	0	0	0	0	0	0	0
\$9.....	\$10.....	.80	0	0	0	0	0	0	0	0	0	0
\$10.....	\$11.....	.90	0	0	0	0	0	0	0	0	0	0
\$11.....	\$12.....	1.10	0	0	0	0	0	0	0	0	0	0
\$12.....	\$13.....	1.20	0	0	0	0	0	0	0	0	0	0
\$13.....	\$14.....	1.40	0	0	0	0	0	0	0	0	0	0
\$14.....	\$15.....	1.50	0	0	0	0	0	0	0	0	0	0
\$15.....	\$16.....	1.70	0	0	0	0	0	0	0	0	0	0
\$16.....	\$17.....	1.80	0	0	0	0	0	0	0	0	0	0
\$17.....	\$18.....	2.00	0	0	0	0	0	0	0	0	0	0
\$18.....	\$19.....	2.10	.20	0	0	0	0	0	0	0	0	0
\$19.....	\$20.....	2.30	.30	0	0	0	0	0	0	0	0	0
\$20.....	\$21.....	2.40	.40	0	0	0	0	0	0	0	0	0
\$21.....	\$22.....	2.60	.60	0	0	0	0	0	0	0	0	0
\$22.....	\$23.....	2.70	.70	0	0	0	0	0	0	0	0	0
\$23.....	\$24.....	2.90	.90	0	0	0	0	0	0	0	0	0
\$24.....	\$25.....	3.00	1.00	0	0	0	0	0	0	0	0	0
\$25.....	\$26.....	3.20	1.10	0	0	0	0	0	0	0	0	0
\$26.....	\$27.....	3.40	1.30	0	0	0	0	0	0	0	0	0
\$27.....	\$28.....	3.50	1.40	0	0	0	0	0	0	0	0	0
\$28.....	\$29.....	3.70	1.60	0	0	0	0	0	0	0	0	0
\$29.....	\$30.....	3.90	1.70	0	0	0	0	0	0	0	0	0
\$30.....	\$31.....	4.10	1.90	0	0	0	0	0	0	0	0	0
\$31.....	\$32.....	4.20	2.00	.10	0	0	0	0	0	0	0	0
\$32.....	\$33.....	4.40	2.20	.20	0	0	0	0	0	0	0	0
\$33.....	\$34.....	4.60	2.30	.40	0	0	0	0	0	0	0	0
\$34.....	\$35.....	4.70	2.50	.50	0	0	0	0	0	0	0	0
\$35.....	\$36.....	4.90	2.60	.70	0	0	0	0	0	0	0	0
\$36.....	\$37.....	5.10	2.80	.80	0	0	0	0	0	0	0	0
\$37.....	\$38.....	5.20	3.00	.90	0	0	0	0	0	0	0	0
\$38.....	\$39.....	5.40	3.10	1.10	0	0	0	0	0	0	0	0
\$39.....	\$40.....	5.60	3.30	1.20	0	0	0	0	0	0	0	0
\$40.....	\$41.....	5.80	3.50	1.40	0	0	0	0	0	0	0	0
\$41.....	\$42.....	5.90	3.60	1.50	0	0	0	0	0	0	0	0
\$42.....	\$43.....	6.10	3.80	1.70	0	0	0	0	0	0	0	0
\$43.....	\$44.....	6.30	4.00	1.80	0	0	0	0	0	0	0	0
\$44.....	\$45.....	6.40	4.10	2.00	0	0	0	0	0	0	0	0
\$45.....	\$46.....	6.60	4.30	2.10	.20	0	0	0	0	0	0	0
\$46.....	\$47.....	6.80	4.50	2.30	.30	0	0	0	0	0	0	0
\$47.....	\$48.....	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$48.....	\$49.....	7.10	4.80	2.60	.60	0	0	0	0	0	0	0
\$49.....	\$50.....	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$50.....	\$51.....	7.50	5.20	2.90	.90	0	0	0	0	0	0	0
\$51.....	\$52.....	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0
\$52.....	\$53.....	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0
\$53.....	\$54.....	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$54.....	\$55.....	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0
\$55.....	\$56.....	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$56.....	\$57.....	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0
\$57.....	\$58.....	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$58.....	\$59.....	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0
\$59.....	\$60.....	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$60.....	\$62.....	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0
\$62.....	\$64.....	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0
\$64.....	\$66.....	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0
\$66.....	\$68.....	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0
\$68.....	\$70.....	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0
\$70.....	\$72.....	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0
\$72.....	\$74.....	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0
\$74.....	\$76.....	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0
\$76.....	\$78.....	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0
\$78.....	\$80.....	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0
\$80.....	\$82.....	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0
\$82.....	\$84.....	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0
\$84.....	\$86.....	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0
\$86.....	\$88.....	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0
\$88.....	\$90.....	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$90.....	\$92.....	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0
\$92.....	\$94.....	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0
\$94.....	\$96.....	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0
\$96.....	\$98.....	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98-----	\$100---	\$16. 10	\$13. 40	\$11. 10	\$8. 80	\$6. 50	\$4. 30	\$2. 10	\$. 10	\$0	\$0	\$0
\$100-----	\$105---	16. 80	14. 10	11. 70	9. 40	7. 10	4. 80	2. 60	. 60	0	0	0
\$105-----	\$110---	17. 80	15. 10	12. 60	10. 30	8. 00	5. 70	3. 40	1. 30	0	0	0
\$110-----	\$115---	18. 80	16. 10	13. 40	11. 10	8. 80	6. 50	4. 30	2. 10	. 10	0	0
\$115-----	\$120---	19. 80	17. 10	14. 40	12. 00	9. 70	7. 40	5. 10	2. 80	. 80	0	0
\$120-----	\$125---	20. 80	18. 10	15. 40	12. 80	10. 50	8. 20	6. 00	3. 70	1. 50	0	0
\$125-----	\$130---	21. 80	19. 10	16. 40	13. 80	11. 40	9. 10	6. 80	4. 50	2. 30	. 40	0
\$130-----	\$135---	22. 80	20. 10	17. 40	14. 80	12. 20	9. 90	7. 70	5. 40	3. 10	1. 10	0
\$135-----	\$140---	23. 80	21. 10	18. 40	15. 80	13. 10	10. 80	8. 50	6. 20	3. 90	1. 80	0
\$140-----	\$145---	24. 80	22. 10	19. 40	16. 80	14. 10	11. 60	9. 40	7. 10	4. 80	2. 50	. 60
\$145-----	\$150---	25. 80	23. 10	20. 40	17. 80	15. 10	12. 50	10. 20	7. 90	5. 60	3. 30	1. 30
\$150-----	\$160---	27. 30	24. 60	21. 90	19. 30	16. 60	13. 90	11. 50	9. 20	6. 90	4. 60	2. 40
\$160-----	\$170---	29. 30	26. 60	23. 90	21. 30	18. 60	15. 90	13. 20	10. 90	8. 60	6. 30	4. 00
\$170-----	\$180---	31. 60	28. 60	25. 90	23. 30	20. 60	17. 90	15. 20	12. 60	10. 30	8. 00	5. 70
\$180-----	\$190---	34. 10	30. 80	27. 90	25. 30	22. 60	19. 90	17. 20	14. 50	12. 00	9. 70	7. 40
\$190-----	\$200---	36. 60	33. 30	29. 90	27. 30	24. 60	21. 90	19. 20	16. 50	13. 80	11. 40	9. 10
\$200-----	\$210---	39. 10	35. 80	32. 40	29. 30	26. 60	23. 90	21. 20	18. 50	15. 80	13. 10	10. 80
\$210-----	\$220---	41. 80	38. 30	34. 90	31. 50	28. 60	25. 90	23. 20	20. 50	17. 80	15. 10	12. 50
\$220-----	\$230---	44. 80	40. 80	37. 40	34. 00	30. 70	27. 90	25. 20	22. 50	19. 80	17. 10	14. 40
\$230-----	\$240---	47. 80	43. 80	39. 90	36. 50	33. 20	29. 90	27. 20	24. 50	21. 80	19. 10	16. 40
\$240-----	\$250---	50. 80	46. 80	42. 70	39. 00	35. 70	32. 30	29. 20	26. 50	23. 80	21. 10	18. 40
\$250-----	\$260---	53. 80	49. 80	45. 70	41. 70	38. 20	34. 80	31. 40	28. 50	25. 80	23. 10	20. 40
\$260-----	\$270---	56. 80	52. 80	48. 70	44. 70	40. 70	37. 30	33. 90	30. 60	27. 80	25. 10	22. 40
\$270-----	\$280---	59. 80	55. 80	51. 70	47. 70	43. 60	39. 80	36. 40	33. 10	29. 80	27. 10	24. 40
\$280-----	\$290---	62. 80	58. 80	54. 70	50. 70	46. 60	42. 60	38. 90	35. 60	32. 20	29. 10	26. 40
\$290-----	\$300---	65. 80	61. 80	57. 70	53. 70	49. 60	45. 60	41. 60	38. 10	34. 70	31. 30	28. 40
\$300-----	\$310---	68. 80	64. 80	60. 70	56. 70	52. 60	48. 60	44. 60	40. 60	37. 20	33. 80	30. 50
\$310-----	\$320---	71. 80	67. 80	63. 70	59. 70	55. 60	51. 60	47. 60	43. 50	39. 70	36. 30	33. 00
\$320-----	\$330---	74. 80	70. 80	66. 70	62. 70	58. 60	54. 60	50. 60	46. 50	42. 50	38. 80	35. 50
\$330-----	\$340---	77. 80	73. 80	69. 70	65. 70	61. 60	57. 60	53. 60	49. 50	45. 50	41. 40	38. 00
\$340-----	\$350---	80. 80	76. 80	72. 70	68. 70	64. 60	60. 60	56. 60	52. 50	48. 50	44. 40	40. 50
\$350-----	\$360---	83. 80	79. 80	75. 70	71. 70	67. 60	63. 60	59. 60	55. 50	51. 50	47. 40	43. 40
30 percent of the excess over \$360 plus—												
\$360 and over----		85. 30	81. 30	77. 20	73. 20	69. 10	65. 10	61. 10	57. 00	53. 00	48. 90	44. 90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	\$0.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$62	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$64	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$66	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$68	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$70	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$72	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$74	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$76	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$78	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$80	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$82	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$84	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$86	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$88	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$90	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$92	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$94	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$96	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$98	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$100	\$105	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0
\$105	\$110	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$110	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$115	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$120	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0
\$125	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$130	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$135	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140.....	\$145.....	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$.60
\$145.....	\$150.....	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150.....	\$160.....	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$160.....	\$170.....	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80
\$170.....	\$180.....	27.50	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30
\$180.....	\$190.....	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80
\$190.....	\$200.....	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30
\$200.....	\$210.....	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80
\$210.....	\$220.....	35.50	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30
\$220.....	\$230.....	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90
\$230.....	\$240.....	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60
\$240.....	\$250.....	41.50	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30
\$250.....	\$260.....	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00
\$260.....	\$270.....	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70
\$270.....	\$280.....	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40
\$280.....	\$290.....	49.50	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10
\$290.....	\$300.....	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80
\$300.....	\$310.....	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50
\$310.....	\$320.....	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50
\$320.....	\$330.....	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50
\$330.....	\$340.....	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50
\$340.....	\$350.....	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50
\$350.....	\$360.....	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50
\$360.....	\$370.....	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50
\$370.....	\$380.....	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50
\$380.....	\$390.....	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50
\$390.....	\$400.....	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50
\$400.....	\$410.....	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50
\$410.....	\$420.....	79.20	75.80	72.50	69.10	65.70	62.40	59.30	56.60	53.90	51.20	48.50
\$420.....	\$430.....	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50
\$430.....	\$440.....	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50
\$440.....	\$450.....	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50
\$450.....	\$460.....	90.80	86.80	82.70	79.10	75.70	72.40	69.00	65.60	62.30	59.20	56.50
\$460.....	\$470.....	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50
\$470.....	\$480.....	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50
\$480.....	\$490.....	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00
\$490.....	\$500.....	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50
\$500.....	\$510.....	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00
\$510.....	\$520.....	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50
\$520.....	\$530.....	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00
\$530.....	\$540.....	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50
\$540.....	\$550.....	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00
\$550.....	\$560.....	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50
\$560.....	\$570.....	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40
30 percent of the excess over \$570 plus—												
\$570 and over.....		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	\$0.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$80	\$82	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$102	\$104	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$104	\$106	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106	\$108	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108	\$110	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110	\$112	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112	\$114	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114	\$116	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116	\$118	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118	\$120	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120	\$124	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$124	\$128	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$128	\$132	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$132	\$136	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$136	\$140	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$140	\$144	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$144	\$148	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$148	\$152	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$152	\$156	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$156	\$160	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$160	\$164	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$164	\$168	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$168	\$172	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$172	\$176	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$176	\$180	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$180	\$184	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$184	\$188	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$188	\$192	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$192	\$196	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$196	\$200	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$200	\$210	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$210	\$220	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$220	\$230	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$230	\$240	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$240	\$250	41.70	36.30	30.90	25.70	21.10	16.60	11.90	7.30	3.10	0	0
\$250	\$260	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$260	\$270	45.70	40.30	34.90	29.50	24.60	19.90	15.30	10.70	6.20	2.10	0
\$270	\$280	47.70	42.30	36.90	31.60	26.20	21.60	17.00	12.40	7.90	3.60	0

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$280-----	\$290---	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290-----	\$300---	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300-----	\$320---	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320-----	\$340---	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340-----	\$360---	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360-----	\$380---	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380-----	\$400---	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400-----	\$420---	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420-----	\$440---	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440-----	\$460---	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460-----	\$480---	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480-----	\$500---	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500-----	\$520---	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520-----	\$540---	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540-----	\$560---	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560-----	\$580---	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580-----	\$600---	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600-----	\$620---	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620-----	\$640---	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640-----	\$660---	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660-----	\$680---	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680-----	\$700---	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700-----	\$720---	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over---		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	\$0.20	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.50	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	1.00	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.30	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.60	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.90	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.40	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.70	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	3.00	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.30	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.80	.10	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.10	.30	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.40	.60	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.70	.90	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68.....	\$70.....	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72.....	\$74.....	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74.....	\$76.....	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78.....	\$80.....	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80.....	\$82.....	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82.....	\$84.....	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84.....	\$86.....	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86.....	\$88.....	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88.....	\$90.....	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90.....	\$92.....	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92.....	\$94.....	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94.....	\$96.....	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96.....	\$98.....	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98.....	\$100.....	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100.....	\$102.....	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102.....	\$104.....	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104.....	\$106.....	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106.....	\$108.....	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108.....	\$110.....	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110.....	\$112.....	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112.....	\$114.....	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114.....	\$116.....	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116.....	\$118.....	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118.....	\$120.....	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120.....	\$124.....	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$124.....	\$128.....	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$128.....	\$132.....	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$132.....	\$136.....	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$136.....	\$140.....	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$140.....	\$144.....	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$144.....	\$148.....	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$148.....	\$152.....	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$152.....	\$156.....	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$156.....	\$160.....	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$160.....	\$164.....	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$164.....	\$168.....	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$168.....	\$172.....	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$172.....	\$176.....	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$176.....	\$180.....	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$180.....	\$184.....	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$184.....	\$188.....	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$188.....	\$192.....	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$192.....	\$196.....	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$196.....	\$200.....	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$200.....	\$210.....	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$210.....	\$220.....	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$220.....	\$230.....	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$230.....	\$240.....	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$240.....	\$250.....	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$250.....	\$260.....	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260.....	\$270....	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270.....	\$280....	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280.....	\$290....	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290.....	\$300....	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300.....	\$320....	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320.....	\$340....	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340.....	\$360....	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360.....	\$380....	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380.....	\$400....	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400.....	\$420....	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420.....	\$440....	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440.....	\$460....	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460.....	\$480....	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480.....	\$500....	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500.....	\$520....	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520.....	\$540....	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540.....	\$560....	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560.....	\$580....	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580.....	\$600....	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600.....	\$620....	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620.....	\$640....	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640.....	\$660....	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660.....	\$680....	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680.....	\$700....	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700.....	\$720....	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720.....	\$740....	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740.....	\$760....	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760.....	\$780....	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780.....	\$800....	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800.....	\$820....	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820.....	\$840....	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840.....	\$860....	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860.....	\$880....	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880.....	\$900....	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900.....	\$920....	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920.....	\$940....	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940.....	\$960....	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960.....	\$980....	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980.....	\$1,000..	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000....	\$1,020..	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020....	\$1,040..	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040....	\$1,060..	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060....	\$1,080..	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080....	\$1,100..	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100....	\$1,120..	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120....	\$1,140..	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over..		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

**“If the payroll period with respect to an employee is semimonthly
and he is not married—**

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	\$0.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.80	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.10	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.40	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.70	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	5.00	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72.....	\$74.....	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74.....	\$76.....	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78.....	\$80.....	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80.....	\$82.....	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82.....	\$84.....	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84.....	\$86.....	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86.....	\$88.....	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88.....	\$90.....	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90.....	\$92.....	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92.....	\$94.....	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94.....	\$96.....	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96.....	\$98.....	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98.....	\$100.....	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100.....	\$102.....	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102.....	\$104.....	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104.....	\$106.....	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106.....	\$108.....	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108.....	\$110.....	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110.....	\$112.....	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112.....	\$114.....	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114.....	\$116.....	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116.....	\$118.....	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118.....	\$120.....	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120.....	\$124.....	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124.....	\$128.....	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128.....	\$132.....	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132.....	\$136.....	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136.....	\$140.....	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140.....	\$144.....	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144.....	\$148.....	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148.....	\$152.....	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152.....	\$156.....	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156.....	\$160.....	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160.....	\$164.....	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164.....	\$168.....	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168.....	\$172.....	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172.....	\$176.....	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176.....	\$180.....	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180.....	\$184.....	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184.....	\$188.....	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188.....	\$192.....	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192.....	\$196.....	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196.....	\$200.....	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200.....	\$204.....	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$204.....	\$208.....	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$208.....	\$212.....	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$212.....	\$216.....	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$216.....	\$220.....	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$220.....	\$224.....	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260-----	\$270----	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270-----	\$280----	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280-----	\$290----	49.00	43.20	37.40	31.50	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290-----	\$300----	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300-----	\$320----	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320-----	\$340----	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340-----	\$360----	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360-----	\$380----	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380-----	\$400----	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400-----	\$420----	76.20	68.00	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420-----	\$440----	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440-----	\$460----	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460-----	\$480----	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480-----	\$500----	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500-----	\$520----	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520-----	\$540----	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540-----	\$560----	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560-----	\$580----	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580-----	\$600----	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600-----	\$620----	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620-----	\$640----	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640-----	\$660----	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660-----	\$680----	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680-----	\$700----	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700-----	\$720----	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.30
\$720-----	\$740----	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740-----	\$760----	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.30
30 percent of the excess over \$760 plus—												
\$760 and over...		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$8-----	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8-----	\$10-----	\$0.10	0	0	0	0	0	0	0	0	0	0
\$10-----	\$12-----	.40	0	0	0	0	0	0	0	0	0	0
\$12-----	\$14-----	.70	0	0	0	0	0	0	0	0	0	0
\$14-----	\$16-----	.90	0	0	0	0	0	0	0	0	0	0
\$16-----	\$18-----	1.20	0	0	0	0	0	0	0	0	0	0
\$18-----	\$20-----	1.50	0	0	0	0	0	0	0	0	0	0
\$20-----	\$22-----	1.80	0	0	0	0	0	0	0	0	0	0
\$22-----	\$24-----	2.10	0	0	0	0	0	0	0	0	0	0
\$24-----	\$26-----	2.30	0	0	0	0	0	0	0	0	0	0
\$26-----	\$28-----	2.60	0	0	0	0	0	0	0	0	0	0
\$28-----	\$30-----	2.90	0	0	0	0	0	0	0	0	0	0
\$30-----	\$32-----	3.20	0	0	0	0	0	0	0	0	0	0
\$32-----	\$34-----	3.50	0	0	0	0	0	0	0	0	0	0
\$34-----	\$36-----	3.70	0	0	0	0	0	0	0	0	0	0
\$36-----	\$38-----	4.00	0	0	0	0	0	0	0	0	0	0
\$38-----	\$40-----	4.30	.20	0	0	0	0	0	0	0	0	0
\$40-----	\$42-----	4.60	.50	0	0	0	0	0	0	0	0	0
\$42-----	\$44-----	4.90	.80	0	0	0	0	0	0	0	0	0
\$44-----	\$46-----	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46-----	\$48-----	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48-----	\$50-----	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50-----	\$52-----	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52-----	\$54-----	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54-----	\$56-----	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56-----	\$58-----	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58-----	\$60-----	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60-----	\$62-----	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62-----	\$64-----	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64-----	\$66-----	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66-----	\$68-----	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68-----	\$70-----	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70-----	\$72-----	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72-----	\$74-----	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74-----	\$76-----	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76-----	\$78-----	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$78-----	\$80-----	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80-----	\$82-----	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82-----	\$84-----	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84-----	\$86-----	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86-----	\$88-----	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88-----	\$90-----	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90-----	\$92-----	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92-----	\$94-----	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94-----	\$96-----	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96-----	\$98-----	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98-----	\$100-----	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100-----	\$102-----	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102-----	\$104-----	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104-----	\$106-----	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106-----	\$108-----	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108-----	\$110-----	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110-----	\$112-----	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112-----	\$114-----	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114-----	\$116-----	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116-----	\$118-----	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118-----	\$120-----	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120-----	\$124-----	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124-----	\$128-----	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128-----	\$132-----	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132-----	\$136-----	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136-----	\$140-----	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140-----	\$144-----	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144-----	\$148-----	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148-----	\$152-----	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152-----	\$156-----	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156-----	\$160-----	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160-----	\$164-----	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$164	\$168	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200	\$210	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0
\$270	\$280	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290	\$300	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340	\$360	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360	\$380	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380	\$400	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400	\$420	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420	\$440	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440	\$460	73.70	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10
\$460	\$480	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480	\$500	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500	\$520	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520	\$540	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540	\$560	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560	\$580	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580	\$600	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600	\$620	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620	\$640	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640	\$660	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60
\$660	\$680	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680	\$700	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700	\$720	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720	\$740	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740	\$760	133.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760	\$780	139.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780	\$800	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800	\$820	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820	\$840	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30
\$840	\$860	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30
\$860	\$880	164.30	157.00	149.70	142.40	135.10	128.50	122.70	116.80	111.00	105.20	99.30
\$880	\$900	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900	\$920	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920	\$940	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940	\$960	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960	\$980	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980	\$1,000	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000	\$1,020	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020	\$1,040	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040	\$1,060	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060	\$1,080	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080	\$1,100	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100	\$1,120	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120	\$1,140	240.00	231.20	222.50	213.70	205.00	196.20	187.50	178.70	171.00	163.70	156.40
\$1,140	\$1,160	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160	\$1,180	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180	\$1,200	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200	\$1,220	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over—		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$16.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	\$0.20	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.40	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	7.00	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.60	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.20	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.80	.40	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136.....	\$140.....	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140.....	\$144.....	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144.....	\$148.....	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148.....	\$152.....	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152.....	\$156.....	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156.....	\$160.....	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160.....	\$164.....	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164.....	\$168.....	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168.....	\$172.....	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172.....	\$176.....	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176.....	\$180.....	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180.....	\$184.....	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184.....	\$188.....	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188.....	\$192.....	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192.....	\$196.....	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196.....	\$200.....	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200.....	\$204.....	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204.....	\$208.....	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208.....	\$212.....	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212.....	\$216.....	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216.....	\$220.....	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220.....	\$224.....	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224.....	\$228.....	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228.....	\$232.....	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232.....	\$236.....	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236.....	\$240.....	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240.....	\$248.....	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$248.....	\$256.....	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$256.....	\$264.....	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.50	3.00	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0
\$480	\$500	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	.90	0	0
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60
30 percent of the excess over \$1,520 plus—												
\$1,520 and over		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$16-----	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16-----	\$20-----	\$0.20	0	0	0	0	0	0	0	0	0	0
\$20-----	\$24-----	.70	0	0	0	0	0	0	0	0	0	0
\$24-----	\$28-----	1.30	0	0	0	0	0	0	0	0	0	0
\$28-----	\$32-----	1.90	0	0	0	0	0	0	0	0	0	0
\$32-----	\$36-----	2.40	0	0	0	0	0	0	0	0	0	0
\$36-----	\$40-----	3.00	0	0	0	0	0	0	0	0	0	0
\$40-----	\$44-----	3.50	0	0	0	0	0	0	0	0	0	0
\$44-----	\$48-----	4.10	0	0	0	0	0	0	0	0	0	0
\$48-----	\$52-----	4.70	0	0	0	0	0	0	0	0	0	0
\$52-----	\$56-----	5.20	0	0	0	0	0	0	0	0	0	0
\$56-----	\$60-----	5.80	0	0	0	0	0	0	0	0	0	0
\$60-----	\$64-----	6.30	0	0	0	0	0	0	0	0	0	0
\$64-----	\$68-----	6.90	0	0	0	0	0	0	0	0	0	0
\$68-----	\$72-----	7.50	0	0	0	0	0	0	0	0	0	0
\$72-----	\$76-----	8.00	0	0	0	0	0	0	0	0	0	0
\$76-----	\$80-----	8.60	.40	0	0	0	0	0	0	0	0	0
\$80-----	\$84-----	9.10	1.00	0	0	0	0	0	0	0	0	0
\$84-----	\$88-----	9.70	1.50	0	0	0	0	0	0	0	0	0
\$88-----	\$92-----	10.30	2.10	0	0	0	0	0	0	0	0	0
\$92-----	\$96-----	10.80	2.70	0	0	0	0	0	0	0	0	0
\$96-----	\$100-----	11.40	3.20	0	0	0	0	0	0	0	0	0
\$100-----	\$104-----	12.00	3.80	0	0	0	0	0	0	0	0	0
\$104-----	\$108-----	12.60	4.30	0	0	0	0	0	0	0	0	0
\$108-----	\$112-----	13.20	4.90	0	0	0	0	0	0	0	0	0
\$112-----	\$116-----	13.80	5.50	0	0	0	0	0	0	0	0	0
\$116-----	\$120-----	14.40	6.00	0	0	0	0	0	0	0	0	0
\$120-----	\$124-----	15.00	6.60	0	0	0	0	0	0	0	0	0
\$124-----	\$128-----	15.60	7.10	0	0	0	0	0	0	0	0	0
\$128-----	\$132-----	16.20	7.70	0	0	0	0	0	0	0	0	0
\$132-----	\$136-----	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$136-----	\$140-----	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$140-----	\$144-----	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$144-----	\$148-----	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$148-----	\$152-----	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$152-----	\$156-----	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$156-----	\$160-----	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$160-----	\$164-----	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$164-----	\$168-----	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$168-----	\$172-----	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$172-----	\$176-----	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$176-----	\$180-----	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$180-----	\$184-----	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$184-----	\$188-----	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$188-----	\$192-----	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$192-----	\$196-----	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$196-----	\$200-----	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$200-----	\$204-----	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$204-----	\$208-----	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$208-----	\$212-----	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$212-----	\$216-----	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$216-----	\$220-----	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$220-----	\$224-----	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$224-----	\$228-----	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$228-----	\$232-----	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$232-----	\$236-----	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$236-----	\$240-----	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$240-----	\$244-----	33.00	24.50	15.80	7.30	0	0	0	0	0	0	0
\$244-----	\$256-----	34.50	25.70	17.00	8.40	.30	0	0	0	0	0	0
\$256-----	\$264-----	35.70	26.90	18.20	9.60	1.40	0	0	0	0	0	0
\$264-----	\$272-----	36.90	28.10	19.40	10.70	2.50	0	0	0	0	0	0
\$272-----	\$280-----	38.10	29.30	20.60	11.80	3.60	0	0	0	0	0	0
\$280-----	\$288-----	39.30	30.50	21.80	13.00	4.80	0	0	0	0	0	0
\$288-----	\$296-----	40.50	31.70	23.00	14.20	5.90	0	0	0	0	0	0
\$296-----	\$304-----	41.70	32.90	24.20	15.40	7.00	0	0	0	0	0	0
\$304-----	\$312-----	42.90	34.10	25.40	16.60	8.10	0	0	0	0	0	0
\$312-----	\$320-----	44.10	35.30	26.60	17.80	9.20	1.10	0	0	0	0	0
\$320-----	\$328-----	45.30	36.50	27.80	19.00	10.40	2.20	0	0	0	0	0

"If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	261.30	249.70	238.00	226.30	214.70
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	271.10	257.70	246.00	234.30	222.70
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	281.10	266.50	254.00	242.30	230.70
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	291.10	276.50	262.00	250.30	238.70
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	301.10	286.50	271.90	258.30	246.70
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	311.10	296.50	281.90	267.30	254.70
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	321.10	306.50	291.90	277.30	262.80
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	331.10	316.50	301.90	287.30	272.80
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	326.50	311.90	297.30	282.80
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	336.50	321.90	307.30	292.80
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	346.50	331.90	317.30	302.80
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	357.40	341.90	327.30	312.80
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.40	351.90	337.30	322.80
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	363.90	347.30	332.80
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	375.90	358.40	342.80
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	352.80
30 percent of the excess over \$2,440 plus—												
\$2,440 and over..		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
		14% of wages										
\$0.....	\$0.75....	\$0.05	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75.....	\$1.00....	.10	0	0	0	0	0	0	0	0	0	0
\$1.00.....	\$1.25....	.10	0	0	0	0	0	0	0	0	0	0
\$1.25.....	\$1.50....	.15	0	0	0	0	0	0	0	0	0	0
\$1.50.....	\$1.75....	.20	0	0	0	0	0	0	0	0	0	0
\$1.75.....	\$2.00....	.20	0	0	0	0	0	0	0	0	0	0
\$2.00.....	\$2.25....	.25	0	0	0	0	0	0	0	0	0	0
\$2.25.....	\$2.50....	.30	0	0	0	0	0	0	0	0	0	0
\$2.50.....	\$2.75....	.35	.05	0	0	0	0	0	0	0	0	0
\$2.75.....	\$3.00....	.35	.10	0	0	0	0	0	0	0	0	0
\$3.00.....	\$3.25....	.40	.15	0	0	0	0	0	0	0	0	0
\$3.25.....	\$3.50....	.45	.15	0	0	0	0	0	0	0	0	0
\$3.50.....	\$3.75....	.50	.20	0	0	0	0	0	0	0	0	0
\$3.75.....	\$4.00....	.55	.25	0	0	0	0	0	0	0	0	0
\$4.00.....	\$4.25....	.60	.30	0	0	0	0	0	0	0	0	0
\$4.25.....	\$4.50....	.65	.35	.05	0	0	0	0	0	0	0	0
\$4.50.....	\$4.75....	.70	.40	.10	0	0	0	0	0	0	0	0
\$4.75.....	\$5.00....	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.00.....	\$5.25....	.80	.50	.20	0	0	0	0	0	0	0	0
\$5.25.....	\$5.50....	.85	.55	.25	0	0	0	0	0	0	0	0
\$5.50.....	\$5.75....	.90	.60	.30	0	0	0	0	0	0	0	0
\$5.75.....	\$6.00....	.95	.65	.35	.05	0	0	0	0	0	0	0
\$6.00.....	\$6.25....	1.00	.70	.40	.10	0	0	0	0	0	0	0
\$6.25.....	\$6.50....	1.05	.75	.45	.15	0	0	0	0	0	0	0
\$6.50.....	\$6.75....	1.10	.80	.50	.20	0	0	0	0	0	0	0
\$6.75.....	\$7.00....	1.15	.85	.55	.25	0	0	0	0	0	0	0
\$7.00.....	\$7.25....	1.20	.90	.60	.30	0	0	0	0	0	0	0
\$7.25.....	\$7.50....	1.25	.95	.65	.35	.05	0	0	0	0	0	0
\$7.50.....	\$7.75....	1.30	1.00	.70	.40	.10	0	0	0	0	0	0
\$7.75.....	\$8.00....	1.35	1.05	.75	.45	.15	0	0	0	0	0	0
\$8.00.....	\$8.25....	1.40	1.10	.80	.50	.20	0	0	0	0	0	0
\$8.25.....	\$8.50....	1.45	1.15	.85	.55	.25	0	0	0	0	0	0
\$8.50.....	\$8.75....	1.50	1.20	.90	.60	.30	0	0	0	0	0	0
\$8.75.....	\$9.00....	1.55	1.25	.95	.65	.35	.05	0	0	0	0	0
\$9.00.....	\$9.25....	1.60	1.30	1.00	.70	.40	.10	0	0	0	0	0
\$9.25.....	\$9.50....	1.65	1.35	1.05	.75	.45	.15	0	0	0	0	0
\$9.50.....	\$9.75....	1.70	1.40	1.10	.80	.50	.20	0	0	0	0	0
\$9.75.....	\$10.00....	1.75	1.45	1.15	.85	.55	.25	0	0	0	0	0
\$10.00.....	\$10.50....	1.80	1.50	1.20	.90	.60	.30	0	0	0	0	0
\$10.50.....	\$11.00....	1.85	1.55	1.25	.95	.65	.35	.05	0	0	0	0
\$11.00.....	\$11.50....	1.90	1.60	1.30	1.00	.70	.40	.10	0	0	0	0
\$11.50.....	\$12.00....	1.95	1.65	1.35	1.05	.75	.45	.15	0	0	0	0
\$12.00.....	\$12.50....	2.00	1.70	1.40	1.10	.80	.50	.20	0	0	0	0
\$12.50.....	\$13.00....	2.05	1.75	1.45	1.15	.85	.55	.25	0	0	0	0
\$13.00.....	\$13.50....	2.10	1.80	1.50	1.20	.90	.60	.30	0	0	0	0
\$13.50.....	\$14.00....	2.15	1.85	1.55	1.25	.95	.65	.35	.05	0	0	0
\$14.00.....	\$14.50....	2.20	1.90	1.60	1.30	1.00	.70	.40	.10	0	0	0
\$14.50.....	\$15.00....	2.25	1.95	1.65	1.35	1.05	.75	.45	.15	0	0	0
\$15.00.....	\$15.50....	2.30	2.00	1.70	1.40	1.10	.80	.50	.20	0	0	0
\$15.50.....	\$16.00....	2.35	2.05	1.75	1.45	1.15	.85	.55	.25	0	0	0
\$16.00.....	\$16.50....	2.40	2.10	1.80	1.50	1.20	.90	.60	.30	0	0	0
\$16.50.....	\$17.00....	2.45	2.15	1.85	1.55	1.25	.95	.65	.35	.05	0	0
\$17.00.....	\$17.50....	2.50	2.20	1.90	1.60	1.30	1.00	.70	.40	.10	0	0
\$17.50.....	\$18.00....	2.55	2.25	1.95	1.65	1.35	1.05	.75	.45	.15	0	0
\$18.00.....	\$18.50....	2.60	2.30	2.00	1.70	1.40	1.10	.80	.50	.20	0	0
\$18.50.....	\$19.00....	2.65	2.35	2.05	1.75	1.45	1.15	.85	.55	.25	0	0
\$19.00.....	\$19.50....	2.70	2.40	2.10	1.80	1.50	1.20	.90	.60	.30	0	0
\$19.50.....	\$20.00....	2.75	2.45	2.15	1.85	1.55	1.25	.95	.65	.35	.05	0
\$20.00.....	\$20.50....	2.80	2.50	2.20	1.90	1.60	1.30	1.00	.70	.40	.10	0
\$20.50.....	\$21.00....	2.85	2.55	2.25	1.95	1.65	1.35	1.05	.75	.45	.15	0
\$21.00.....	\$21.50....	2.90	2.60	2.30	2.00	1.70	1.40	1.10	.80	.50	.20	0
\$21.50.....	\$22.00....	2.95	2.65	2.35	2.05	1.75	1.45	1.15	.85	.55	.25	0
\$22.00.....	\$22.50....	3.00	2.70	2.40	2.10	1.80	1.50	1.20	.90	.60	.30	0
\$22.50.....	\$23.00....	3.05	2.75	2.45	2.15	1.85	1.55	1.25	.95	.65	.35	.05
\$23.00.....	\$23.50....	3.10	2.80	2.50	2.20	1.90	1.60	1.30	1.00	.70	.40	.10
\$23.50.....	\$24.00....	3.15	2.85	2.55	2.25	1.95	1.65	1.35	1.05	.75	.45	.15
\$24.00.....	\$24.50....	3.20	2.90	2.60	2.30	2.00	1.70	1.40	1.10	.80	.50	.20
\$24.50.....	\$25.00....	3.25	2.95	2.65	2.35	2.05	1.75	1.45	1.15	.85	.55	.25
\$25.00.....	\$25.50....	3.30	3.00	2.70	2.40	2.10	1.80	1.50	1.20	.90	.60	.30
\$25.50.....	\$26.00....	3.35	3.05	2.75	2.45	2.15	1.85	1.55	1.25	.95	.65	.35
\$26.00.....	\$27.00....	3.40	3.10	2.80	2.50	2.20	1.90	1.60	1.30	1.00	.70	.40

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
		14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.....	\$0.75..	\$0.05	0	0	0	0	0	0	0	0	0	0
\$0.75.....	\$1.00..	.10	0	0	0	0	0	0	0	0	0	0
\$1.00.....	\$1.25..	.10	0	0	0	0	0	0	0	0	0	0
\$1.25.....	\$1.50..	.10	0	0	0	0	0	0	0	0	0	0
\$1.50.....	\$1.75..	.15	0	0	0	0	0	0	0	0	0	0
\$1.75.....	\$2.00..	.20	0	0	0	0	0	0	0	0	0	0
\$2.00.....	\$2.25..	.20	0	0	0	0	0	0	0	0	0	0
\$2.25.....	\$2.50..	.25	0	0	0	0	0	0	0	0	0	0
\$2.50.....	\$2.75..	.30	0	0	0	0	0	0	0	0	0	0
\$2.75.....	\$3.00..	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00.....	\$3.25..	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25.....	\$3.50..	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50.....	\$3.75..	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75.....	\$4.00..	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00.....	\$4.25..	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25.....	\$4.50..	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50.....	\$4.75..	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75.....	\$5.00..	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00.....	\$5.25..	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25.....	\$5.50..	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50.....	\$5.75..	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75.....	\$6.00..	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00.....	\$6.25..	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25.....	\$6.50..	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50.....	\$6.75..	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75.....	\$7.00..	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00.....	\$7.25..	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25.....	\$7.50..	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50.....	\$7.75..	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75.....	\$8.00..	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00.....	\$8.25..	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25.....	\$8.50..	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50.....	\$8.75..	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75.....	\$9.00..	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00.....	\$9.25..	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25.....	\$9.50..	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50.....	\$9.75..	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75.....	\$10.00..	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00.....	\$10.50..	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50.....	\$11.00..	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00.....	\$11.50..	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50.....	\$12.00..	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00.....	\$12.50..	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50.....	\$13.00..	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00.....	\$13.50..	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50.....	\$14.00..	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0
\$14.00.....	\$14.50..	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50.....	\$15.00..	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00.....	\$15.50..	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50.....	\$16.00..	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00.....	\$16.50..	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50.....	\$17.00..	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00.....	\$17.50..	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50.....	\$18.00..	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00.....	\$18.50..	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50.....	\$19.00..	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00.....	\$19.50..	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50.....	\$20.00..	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00.....	\$21.00..	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00.....	\$22.00..	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00.....	\$23.00..	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00.....	\$24.00..	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00.....	\$25.00..	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed in—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$25.00	\$26.00	\$4. 05	\$3. 65	\$3. 35	\$3. 00	\$2. 70	\$2. 35	\$2. 05	\$1. 70	\$1. 40	\$1. 15	\$.85
\$26.00	\$27.00	4. 25	3. 85	3. 50	3. 20	2. 85	2. 50	2. 20	1. 85	1. 55	1. 30	1. 00
\$27.00	\$28.00	4. 45	4. 05	3. 65	3. 35	3. 00	2. 70	2. 35	2. 05	1. 70	1. 45	1. 15
\$28.00	\$29.00	4. 65	4. 25	3. 85	3. 50	3. 20	2. 85	2. 55	2. 20	1. 90	1. 60	1. 30
\$29.00	\$30.00	4. 85	4. 45	4. 05	3. 70	3. 35	3. 05	2. 70	2. 40	2. 05	1. 75	1. 45
\$30.00	\$31.00	5. 05	4. 65	4. 25	3. 90	3. 55	3. 20	2. 90	2. 55	2. 25	1. 90	1. 60
\$31.00	\$32.00	5. 25	4. 85	4. 45	4. 10	3. 70	3. 35	3. 05	2. 70	2. 40	2. 05	1. 75
\$32.00	\$33.00	5. 45	5. 05	4. 65	4. 30	3. 90	3. 55	3. 20	2. 90	2. 55	2. 25	1. 90
\$33.00	\$34.00	5. 65	5. 25	4. 85	4. 50	4. 10	3. 70	3. 40	3. 05	2. 75	2. 40	2. 10
\$34.00	\$35.00	5. 85	5. 45	5. 05	4. 70	4. 30	3. 90	3. 55	3. 25	2. 90	2. 60	2. 25
\$35.00	\$36.00	6. 05	5. 65	5. 25	4. 90	4. 50	4. 10	3. 75	3. 40	3. 10	2. 75	2. 40
\$36.00	\$37.00	6. 25	5. 85	5. 45	5. 10	4. 70	4. 30	3. 90	3. 55	3. 25	2. 90	2. 60
\$37.00	\$38.00	6. 45	6. 05	5. 65	5. 30	4. 90	4. 50	4. 10	3. 75	3. 40	3. 10	2. 75
\$38.00	\$39.00	6. 65	6. 25	5. 85	5. 50	5. 10	4. 70	4. 30	3. 95	3. 60	3. 25	2. 95
\$39.00	\$40.00	6. 85	6. 45	6. 05	5. 70	5. 30	4. 90	4. 50	4. 15	3. 75	3. 45	3. 10
\$40.00	\$41.00	7. 05	6. 65	6. 25	5. 90	5. 50	5. 10	4. 70	4. 35	3. 95	3. 60	3. 25
\$41.00	\$42.00	7. 25	6. 85	6. 45	6. 10	5. 70	5. 30	4. 90	4. 55	4. 15	3. 75	3. 45
\$42.00	\$43.00	7. 45	7. 05	6. 65	6. 30	5. 90	5. 50	5. 10	4. 75	4. 35	3. 95	3. 60
\$43.00	\$44.00	7. 65	7. 25	6. 85	6. 50	6. 10	5. 70	5. 30	4. 95	4. 55	4. 15	3. 80
\$44.00	\$45.00	7. 85	7. 45	7. 05	6. 70	6. 30	5. 90	5. 50	5. 15	4. 75	4. 35	4. 00
\$45.00	\$46.00	8. 05	7. 65	7. 25	6. 90	6. 50	6. 10	5. 70	5. 35	4. 95	4. 55	4. 20
\$46.00	\$47.00	8. 25	7. 85	7. 45	7. 10	6. 70	6. 30	5. 90	5. 55	5. 15	4. 75	4. 40
\$47.00	\$48.00	8. 45	8. 05	7. 65	7. 30	6. 90	6. 50	6. 10	5. 75	5. 35	4. 95	4. 60
\$48.00	\$49.00	8. 65	8. 25	7. 85	7. 50	7. 10	6. 70	6. 30	5. 95	5. 55	5. 15	4. 80
\$49.00	\$50.00	8. 90	8. 45	8. 05	7. 70	7. 30	6. 90	6. 50	6. 15	5. 75	5. 35	5. 00
\$50.00	\$51.00	9. 15	8. 65	8. 25	7. 90	7. 50	7. 10	6. 70	6. 35	5. 95	5. 55	5. 20
\$51.00	\$52.00	9. 40	8. 90	8. 45	8. 10	7. 70	7. 30	6. 90	6. 55	6. 15	5. 75	5. 40
\$52.00	\$53.00	9. 65	9. 15	8. 65	8. 30	7. 90	7. 50	7. 10	6. 75	6. 35	5. 95	5. 60
\$53.00	\$54.00	9. 90	9. 40	8. 90	8. 50	8. 10	7. 70	7. 30	6. 95	6. 55	6. 15	5. 80
\$54.00	\$55.00	10. 15	9. 65	9. 15	8. 70	8. 30	7. 90	7. 50	7. 15	6. 75	6. 35	6. 00
\$55.00	\$56.00	10. 40	9. 90	9. 40	8. 95	8. 50	8. 10	7. 70	7. 35	6. 95	6. 55	6. 20
\$56.00	\$57.00	10. 65	10. 15	9. 65	9. 20	8. 70	8. 30	7. 90	7. 55	7. 15	6. 75	6. 40
\$57.00	\$58.00	10. 90	10. 40	9. 90	9. 45	8. 95	8. 50	8. 10	7. 75	7. 35	6. 95	6. 60
\$58.00	\$59.00	11. 15	10. 65	10. 15	9. 70	9. 20	8. 75	8. 30	7. 95	7. 55	7. 15	6. 80
\$59.00	\$60.00	11. 40	10. 90	10. 40	9. 95	9. 45	9. 00	8. 50	8. 15	7. 75	7. 35	7. 00
\$60.00	\$61.00	11. 65	11. 15	10. 65	10. 20	9. 70	9. 25	8. 75	8. 35	7. 95	7. 55	7. 20
\$61.00	\$62.00	11. 95	11. 40	10. 90	10. 45	9. 95	9. 50	9. 00	8. 55	8. 15	7. 75	7. 40
\$62.00	\$63.00	12. 25	11. 65	11. 15	10. 70	10. 20	9. 75	9. 25	8. 75	8. 35	7. 95	7. 60
\$63.00	\$64.00	12. 55	11. 95	11. 40	10. 95	10. 45	10. 00	9. 50	9. 00	8. 55	8. 15	7. 80
\$64.00	\$65.00	12. 85	12. 25	11. 70	11. 20	10. 70	10. 25	9. 75	9. 25	8. 80	8. 35	8. 00
\$65.00	\$66.00	13. 15	12. 55	12. 00	11. 45	10. 95	10. 50	10. 00	9. 50	9. 05	8. 55	8. 20
\$66.00	\$67.00	13. 45	12. 85	12. 30	11. 70	11. 20	10. 75	10. 25	9. 75	9. 30	8. 80	8. 40
\$67.00	\$68.00	13. 75	13. 15	12. 60	12. 00	11. 45	11. 00	10. 50	10. 00	9. 55	9. 05	8. 60
\$68.00	\$69.00	14. 05	13. 45	12. 90	12. 30	11. 75	11. 25	10. 75	10. 25	9. 80	9. 30	8. 85
\$69.00	\$70.00	14. 35	13. 75	13. 20	12. 60	12. 05	11. 50	11. 00	10. 50	10. 05	9. 55	9. 10
\$70.00	\$71.00	14. 65	14. 05	13. 50	12. 90	12. 35	11. 75	11. 25	10. 75	10. 30	9. 80	9. 35
\$71.00	\$72.00	14. 95	14. 35	13. 80	13. 20	12. 65	12. 05	11. 50	11. 00	10. 55	10. 05	9. 60
\$72.00	\$73.00	15. 25	14. 65	14. 10	13. 50	12. 95	12. 35	11. 80	11. 25	10. 80	10. 30	9. 85
\$73.00	\$74.00	15. 55	14. 95	14. 40	13. 80	13. 25	12. 65	12. 10	11. 50	11. 05	10. 55	10. 10
\$74.00	\$75.00	15. 85	15. 25	14. 70	14. 10	13. 55	12. 95	12. 40	11. 80	11. 30	10. 80	10. 35
\$75.00	\$76.00	16. 15	15. 55	15. 00	14. 40	13. 85	13. 25	12. 70	12. 10	11. 55	11. 05	10. 60
\$76.00	\$77.00	16. 45	15. 85	15. 30	14. 70	14. 15	13. 55	13. 00	12. 40	11. 85	11. 30	10. 85
\$77.00	\$78.00	16. 75	16. 15	15. 60	15. 00	14. 45	13. 85	13. 30	12. 70	12. 15	11. 55	11. 10
\$78.00	\$79.00	17. 05	16. 45	15. 90	15. 30	14. 75	14. 15	13. 60	13. 00	12. 45	11. 85	11. 35
\$79.00	\$80.00	17. 35	16. 75	16. 20	15. 60	15. 05	14. 45	13. 90	13. 30	12. 75	12. 15	11. 60
30 percent of the excess over \$80 plus—												
\$80 and over		17. 50	16. 90	16. 35	15. 75	15. 20	14. 60	14. 05	13. 45	12. 90	12. 30	11. 75"

1 (d) DISCLOSURE OF MARITAL STATUS; DETERMINA-
 2 TION OF MARITAL STATUS; TREATMENT OF SURVIVING
 3 SPOUSE.—Section 3402 (relating to income tax collected at
 4 source) is amended by adding at the end thereof the follow-
 5 ing new subsection:

6 “(1) DETERMINATION AND DISCLOSURE OF MARITAL
 7 STATUS.—

8 “(1) DETERMINATION OF STATUS BY EM-
 9 PLOYER.—For purposes of applying the tables in sub-
 10 sections (a) and (c) to a payment of wages, the em-
 11 ployer shall treat the employee as a single person unless
 12 there is in effect with respect to such payment of wages
 13 a withholding exemption certificate furnished to the em-
 14 ployer by the employee after the date of the enactment
 15 of this subsection indicating that the employee is
 16 married.

17 “(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An
 18 employee shall be entitled to furnish the employer with
 19 a withholding exemption certificate indicating he is mar-
 20 ried only if, on the day of such furnishing, he is married
 21 (determined with the application of the rules in para-

1 graph (3)). An employee whose marital status
2 changes from married to single shall, at such time as the
3 Secretary or his delegate may by regulations prescribe,
4 furnish the employer with a new withholding exemption
5 certificate.

6 “(3) DETERMINATION OF MARITAL STATUS.—For
7 purposes of paragraph (2), an employee shall on any
8 day be considered—

9 “(A) as not married, if (i) he is legally
10 separated from his spouse under a decree of divorce
11 or separate maintenance, or (ii) either he or his
12 spouse is, or on any preceding day within the
13 calendar year was, a nonresident alien; or

14 “(B) as married, if (i) his spouse (other than
15 a spouse referred to in subparagraph (A)) died
16 within the portion of his taxable year which pre-
17 cedes such day, or (ii) his spouse died during one
18 of the two taxable years immediately preceding
19 the current taxable year and, on the basis of facts
20 existing at the beginning of such day, the employee
21 reasonably expects, at the close of his taxable year,
22 to be a surviving spouse (as defined in section 2
23 (b)).”

24 (e) WITHHOLDING ALLOWANCES FOR ITEMIZED DE-
25 Ductions.—

(1) ALLOWANCE.—Section 3402 (f) (1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of —

1 “(A) his estimated itemized deductions, over

2 “(B) an amount equal to the sum of 12 per-

3 cent of the first \$7,500 of his estimated wages and

4 17 percent of the remainder of his estimated wages.

5 For purposes of this subsection, fractional numbers shall

6 not be taken into account.

7 “(2) DEFINITIONS.—For purposes of this sub-

8 section—

9 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—

10 The term ‘estimated itemized deductions’ means the

11 aggregate amount which he reasonably expects will

12 be allowable as deductions under chapter 1 (other

13 than the deductions referred to in sections 141 and

14 151 and other than the deductions required to be

15 taken into account in determining adjusted gross

16 income under section 62) for the estimation year.

17 In no case shall such aggregate amount be greater

18 than the amount of such deductions shown on his

19 return of tax under subtitle A for the taxable year

20 preceding the estimation year.

21 “(B) ESTIMATED WAGES.—The term ‘esti-

22 mated wages’ means the aggregate amount which he

23 reasonably expects will constitute wages for the

24 estimation year. In no case shall such aggregate

1 amount be less than the amount of wages shown
2 on his return for the taxable year preceding the
3 estimation year.

4 “(C) ESTIMATION YEAR.—In the case of an
5 employee who files his return on the basis of a
6 calendar year, the term ‘estimation year’ means—

7 “(i) with respect to payments of wages
8 after April 30 and on or before December 31
9 of any calendar year, such calendar year, and

10 “(ii) with respect to payments of wages
11 on or after January 1 and before May 1 of any
12 calendar year, the preceding calendar year (or,
13 if the employee has filed a return for the pre-
14 ceding calendar year, and if he has in effect
15 a withholding allowance under this subsection
16 based on using the current calendar year as
17 the estimation year, such current calendar
18 year).

19 In the case of an employee who files his return on
20 a basis other than the calendar year, his estimation
21 year, and the amounts deducted and withheld to be
22 governed by such estimation year, shall be deter-
23 mined under regulations prescribed by the Secretary
24 or his delegate.

1 “(3) SPECIAL RULES.—

2 “(A) MARRIED INDIVIDUALS.—The number of
3 withholding allowances to which a husband and
4 wife are entitled under this subsection shall be de-
5 termined on the basis of their combined wages and
6 deductions. This subparagraph shall not apply to a
7 husband and wife who filed separate returns for the
8 taxable year preceding the estimation year and who
9 reasonably expect to file separate returns for the
10 estimation year.

11 “(B) ONLY ONE CERTIFICATE TO BE IN
12 EFFECT.—In the case of any employee, withhold-
13 ing allowances under this subsection may not be
14 claimed with more than one employer at any one
15 time.

16 “(C) TERMINATION OF EFFECTIVENESS.—In
17 the case of an employee who files his return on the
18 basis of a calendar year, that portion of a withhold-
19 ing exemption certificate which relates to allow-
20 ances under this subsection shall not be effective
21 with respect to payments of wages after the first
22 April 30 following the close of the estimation year
23 on which it is based.

24 “(D) LIMITATION.—The Secretary or his
25 delegate may by regulations provide that one or

1 more of the withholding allowances to which an
2 employee would, but for this subparagraph, be en-
3 titled under this subsection shall be denied because
4 such employee's estimated wages are above the
5 level at which the amounts deducted and withheld
6 under this chapter are generally sufficient to offset
7 the liability for tax under chapter 1 with respect
8 to the wages from which such amounts are deducted
9 and withheld.

10 “(E) AUTHORITY TO PRESCRIBE TABLES.—

11 The Secretary or his delegate may prescribe tables
12 pursuant to which employees shall determine the
13 number of allowances to which they are entitled
14 under this subsection. Such tables may be based
15 on reasonable wage and itemized deduction brackets.

16 “(F) TREATMENT OF ALLOWANCES.—For

17 purposes of this title, any withholding allowance
18 under this subsection shall be treated as if it were
19 denominated a withholding exemption.”

20 (3) STATUS DETERMINATION DATE.—The last sen-

21 tence of section 3402 (f) (3) (B) is amended to read as
22 follows: “For purposes of this subparagraph, the term
23 ‘status determination date’ means January 1, May 1,
24 July 1, and October 1 of each year.”

25 (4) CIVIL PENALTY.—

1 (A) Subchapter B of chapter 68 (relating to
2 assessable penalties) is amended by adding at the
3 end thereof the following new section:

4 **“SEC. 6682. FALSE INFORMATION WITH RESPECT TO**
5 **WITHHOLDING ALLOWANCES BASED ON**
6 **ITEMIZED DEDUCTIONS.**

7 “(a) CIVIL PENALTY.—In addition to any criminal
8 penalty provided by law, if any individual in claiming a
9 withholding allowance under section 3402 (f) (1) (F) states
10 (1) that the wages (within the meaning of chapter 24)
11 shown on his return for any taxable year were less than
12 such wages actually shown, or (2) that the itemized deduc-
13 tions referred to in section 3402 (m) on the return for any
14 taxable year were greater than such deductions actually
15 shown, he shall pay a penalty of \$50 for each such state-
16 ment, unless (1) such statement did not result in a decrease
17 in the amounts deducted and withheld under chapter 24, or
18 (2) the taxes imposed with respect to the individual under
19 subtitle A for the succeeding taxable year do not exceed
20 the sum of (A) the credits against such taxes allowed by
21 part IV of subchapter A of chapter 1, and (B) the pay-
22 ments of estimated tax which are considered payments on
23 account of such taxes.

24 “(b) DEFICIENCY PROCEDURES NOT TO APPLY.—
25 Subchapter B of chapter 63 (relating to deficiency pro-

cedures for income, estate, and gift taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

“Sec. 6682. False information with respect to withholding allowances based on itemized deductions.”

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended—

(A) by striking out “section 3402 (f)” and inserting in lieu thereof “section 3402”, and

(B) by striking out “any penalty otherwise provided” and inserting in lieu thereof “any other penalty provided by law (except the penalty provided by section 6682)”.

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402 (f) (3) (B) of the Internal

1 Revenue Code of 1954, a withholding exemption certificate
 2 furnished the employer after the date of the enactment of
 3 this Act and before May 1, 1966, shall take effect with
 4 respect to the first payment of wages made on or after
 5 May 1, 1966, or the 10th day after the date on which such
 6 certificate is furnished to the employer, whichever is later,
 7 and at the election of the employer such certificate may
 8 be made effective with respect to any payment of wages
 9 made on or after the date on which such certificate is
 10 furnished.

11 (g) EFFECTIVE DATE.—The amendments made by
 12 this section (other than subsection (e)) shall apply only
 13 with respect to remuneration paid after April 30, 1966.

14 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

15 (a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-
 16 MATED TAX.—Section 6015(c) (relating to definition of
 17 estimated tax in the case of an individual) is amended to
 18 read as follows:

19 “(c) ESTIMATED TAX.—For purposes of this title, in
 20 the case of an individual, the term ‘estimated tax’ means—

21 “(1) the amount which the individual estimates as
 22 the amount of the income tax imposed by chapter 1
 23 for the taxable year, plus

24 “(2) the amount which the individual estimates

1 as the amount of the self-employment tax imposed by
2 chapter 2 for the taxable year, minus

3 “(3) the amount which the individual estimates
4 as the sum of any credits against tax provided by
5 part IV of subchapter A of chapter 1.”

6 (b) ADDITION TO TAX FOR UNDERPAYMENT OF
7 ESTIMATED TAX.—

8 (1) Section 6654 (a) (relating to addition to the
9 tax for underpayment of estimated tax by an individual)
10 is amended by inserting after “chapter 1” the following:
11 “and the tax under chapter 2”.

12 (2) Section 6654 (d) is amended to read as
13 follows:

14 “(d) EXCEPTION.—Notwithstanding the provisions of
15 the preceding subsections, the addition to the tax with re-
16 spect to any underpayment of any installment shall not be
17 imposed if the total amount of all payments of estimated tax
18 made on or before the last date prescribed for the payment
19 of such installment equals or exceeds the amount which
20 would have been required to be paid on or before such date
21 if the estimated tax were whichever of the following is the
22 least—

23 “(1) The tax shown on the return of the individual
24 for the preceding taxable year, if a return showing a

1 liability for tax was filed by the individual for the pre-
2 ceding taxable year and such preceding year was a
3 taxable year of 12 months.

4 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
5 in the case of individuals referred to in section 6073 (b),
6 relating to income from farming or fishing) of the tax
7 for the taxable year computed by placing on an annual-
8 ized basis the taxable income for the months in the
9 taxable year ending before the month in which the
10 installment is required to be paid and by taking into
11 account the adjusted self-employment income (if the
12 net earnings from self-employment (as defined in sec-
13 tion 1402 (a)) for the taxable year equal or exceed
14 \$400). For purposes of this paragraph—

15 “(A) The taxable income shall be placed on
16 an annualized basis by—

17 “(i) multiplying by 12 (or, in the case
18 of a taxable year of less than 12 months, the
19 number of months in the taxable year) the tax-
20 able income (computed without deduction of
21 personal exemptions) for the months in the tax-
22 able year ending before the month in which the
23 installment is required to be paid,

1 “(ii) dividing the resulting amount by the
2 number of months in the taxable year ending
3 before the month in which such installment date
4 falls, and

5 “(iii) deducting from such amount the de-
6 ductions for personal exemptions allowable for
7 the taxable year (such personal exemptions
8 being determined as of the last date prescribed
9 for payment of the installment).

10 “(B) The term ‘adjusted self-employment in-
11 come’ means—

12 “(i) the net earnings from self-employ-
13 ment (as defined in section 1402 (a)) for the
14 months in the taxable year ending before the
15 month in which the installment is required to
16 be paid, but not more than

17 “(ii) the excess of \$6,600 over the amount
18 determined by placing the wages (within the
19 meaning of section 1402 (b)) for the months in
20 the taxable year ending before the month in
21 which the installment is required to be paid on
22 an annualized basis in a manner consistent with
23 clauses (i) and (ii) of subparagraph (A).

1 “(3) An amount equal to 90 percent of the tax
 2 computed, at the rates applicable to the taxable year,
 3 on the basis of the actual taxable income and the actual
 4 self-employment income for the months in the taxable
 5 year ending before the month in which the installment
 6 is required to be paid as if such months constituted the
 7 taxable year.

8 “(4) An amount equal to the tax computed, at the
 9 rates applicable to the taxable year, on the basis of the
 10 taxpayer’s status with respect to personal exemptions
 11 under section 151 for the taxable year, but otherwise on
 12 the basis of the facts shown on his return for, and the
 13 law applicable to, the preceding taxable year.”

14 (3) Section 6654 (f) (relating to definition of tax
 15 for purposes of subsections (b) and (d) of section 6654)
 16 is amended to read as follows:

17 “(f) TAX COMPUTED AFTER APPLICATION OF
 18 CREDITS AGAINST TAX.—For purposes of subsections (b)
 19 and (d), the term ‘tax’ means—

20 “(1) the tax imposed by this chapter 1, plus

1 “(2) the tax imposed by chapter 2, minus

2 “(3) the credits against tax allowed by part IV
3 of subchapter A of chapter 1, other than the credit
4 against tax provided by section 31 (relating to tax
5 withheld on wages).”

6 (4) Section 7701 (a) (relating to definitions) is
7 amended by adding at the end thereof the following
8 new paragraph:

9 “(34) ESTIMATED INCOME TAX.—The term ‘esti-
10 mated income tax’ means—

11 “(A) in the case of an individual, the esti-
12 mated tax as defined in section 6015 (c), or

13 “(B) in the case of a corporation, the esti-
14 mated tax as defined in section 6016 (b).”

15 (5) Section 1403 (b) (cross references) is
16 amended by adding at the end thereof the following new
17 paragraph:

 “(3) For provisions relating to declarations of esti-
 mated tax on self-employment income, see section 6015.”

18 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
19 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402 (e)

1 (3) (relating to effective date of waiver certificates) is
2 amended by adding at the end thereof the following new
3 subparagraph:

4 “(E) For purposes of sections 6015 and 6654,
5 a waiver certificate described in paragraph (1)
6 shall be treated as taking effect on the first day of
7 the first taxable year beginning after the date on
8 which such certificate is filed.”

9 (d) EFFECTIVE DATE.—The amendments made by sub-
10 sections (a), (b), and (c) shall apply with respect to tax-
11 able years beginning after December 31, 1966.

12 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
13 **MATED INCOME TAX IN CASE OF INDIVID-**
14 **UALS.**

15 (a) IN GENERAL.—Section 6654 (b) (relating to
16 amount of underpayment), and section 6654 (d) (relating
17 to exception) as amended by section 102 (b) (2) of this
18 Act, are amended by striking out “70 percent” each place
19 it appears and inserting in lieu thereof “80 percent”.

20 (b) EFFECTIVE DATE.—The amendments made by

1 subsection (a) shall apply with respect to taxable years
2 beginning after December 31, 1966.

3 SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-
4 COME TAX BY CORPORATIONS.

5 (a) IN GENERAL.—Subsection (a) of section 6154
6 (relating to installment payments of estimated income tax
7 by corporations) is amended to read as follows:

8 “(a) AMOUNT AND TIME FOR PAYMENT OF EACH
9 INSTALLMENT.—The amount of estimated tax (as defined
10 in section 6016(b)) with respect to which a declaration
11 is required under section 6016 shall be paid as follows:

12 “(1) TAXABLE YEARS BEGINNING IN 1966.—
13 With respect to taxable years beginning after Decem-
14 ber 31, 1965, and before January 1, 1967, such esti-
15 mated tax shall be paid in installments in accordance
16 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

18 “(2) TAXABLE YEARS BEGINNING AFTER 1966.—

19 With respect to taxable years beginning after December

1 31, 1966, such estimated tax shall be paid in install-
2 ments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

3 “(3) TIMELY FILING.—A declaration is timely
4 filed for the purposes of paragraphs (1) and (2) if it is
5 not required by section 6074 (a) to be filed on a date
6 (determined without regard to any extension of time
7 for filing the declaration under section 6081) before
8 the date it is actually filed.

9 “(4) LATE FILING.—If the declaration is filed after
10 the time prescribed in section 6074 (a) (determined
11 without regard to any extension of time for filing the
12 declaration under section 6081), there shall be paid at
13 the time of such filing all installments of estimated tax
14 which would have been payable on or before such time
15 if the declaration had been filed within the time pre-
16 scribed in section 6074 (a), and the remaining install-
17 ments shall be paid at the times at which, and in the
18 amounts in which, they would have been payable if the
19 declaration had been so filed.”

1 (b) EFFECTIVE DATE.—The amendment made by sub-
 2 section (a) shall apply with respect to taxable years begin-
 3 ning after December 31, 1965.

4 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
 5 **TAX RATE REDUCTIONS**

6 **SEC. 201. PASSENGER AUTOMOBILES.**

7 (a) POSTPONEMENT OF RATE REDUCTIONS.—Sub-
 8 paragraph (A) of section 4061 (a) (2) (relating to im-
 9 position of tax) is amended to read as follows:

10 “(A) Articles enumerated in subparagraph (B)
 11 are taxable at whichever of the following rates is
 12 applicable:

13 “7 percent for the period beginning with the day
 14 after the date of the enactment of the Tax
 15 Adjustment Act of 1966 through March 31,
 16 1968.

17 “2 percent for the period April 1, 1968, through
 18 December 31, 1968.

19 “1 percent for the period after December 31, 1968.”

20 (b) FLOOR STOCKS TAX.—Section 4226 (relating to
 21 floor stocks taxes) is amended—

22 (1) By adding at the end of subsection (a) the
 23 following new paragraph:

24 “(8) 1966 TAX ON AUTOMOBILES.—On any arti-

1 cle subject to tax under section 4061 (a) (2) which on
 2 the day after the date of the enactment of the Tax
 3 Adjustment Act of 1966 is held by a dealer and has not
 4 been used and is intended for sale, there is imposed a
 5 floor stocks tax at the rate of 1 percent of the price for
 6 which the article was sold by the manufacturer, pro-
 7 ducer, or importer. Under regulations prescribed by the
 8 Secretary or his delegate, the tax imposed under this
 9 paragraph shall be paid by such dealer and shall be col-
 10 lected from him by the manufacturer, producer, or im-
 11 porter.”

12 (2) By amending subsection (d) —

13 (A) by striking out “and except” and insert-
 14 ing in lieu thereof “except”, and

15 (B) by striking out “delegate.” and inserting
 16 in lieu thereof “delegate, and except that the tax
 17 imposed by paragraph (8) shall be paid at such
 18 time after 60 days after the date of enactment of
 19 the Tax Adjustment Act of 1966 as may be pre-
 20 scribed by the Secretary or his delegate.”

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 6412 (a) (1) (relating to floor stocks
 23 refunds on passenger automobiles, etc.) is amended by
 24 striking out “January 1, 1966, 1967, 1968, or 1969,”

and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969,”.

(2) Section 209 (c) (1) (G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out “section 4226 (a)” and inserting in lieu thereof “section 4226 (a) (other than paragraph (8) thereof)”.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a) (2) and inserting in lieu thereof:

“(2) The rate of tax referred to in paragraph (1) is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“Before April 1, 1968-----	10
“After March 31, 1968, and before January 1, 1969-----	1”

(2) By striking out subsection (c) and inserting in lieu thereof:

“(c) SPECIAL RULE.—For purposes of subsection (a), in the case of communications services rendered before Feb-

1 ruary 1, 1968, for which a bill has not been rendered before
2 April 1, 1968, a bill shall be treated as having been first
3 rendered on March 31, 1968. For purposes of subsections
4 (a) and (b), in the case of communications services ren-
5 dered after January 31, 1968, and before November 1,
6 1968, for which a bill has not been rendered before Jan-
7 uary 1, 1969, a bill shall be treated as having been first
8 rendered on December 31, 1968.”

9 (b) NONPROFIT HOSPITALS.—Section 4253 (relating
10 to exemptions from tax on communications) is amended by
11 adding at the end thereof the following new subsection:

12 “(h) NONPROFIT HOSPITALS.—No tax shall be im-
13 posed under section 4251 on any amount paid by a non-
14 profit hospital for services furnished to such organization.
15 For purposes of this subsection, the term ‘nonprofit hospital’
16 means a hospital referred to in section 503 (b) (5) which is
17 exempt from income tax under section 501 (a).”

18 (c) EFFECTIVE DATE.—The amendments made by sub-
19 sections (a) and (b) shall apply to amounts paid pursuant
20 to bills first rendered on or after the first day of the first
21 month which begins more than 15 days after the date on
22 which this Act is enacted for services rendered on or after
23 such first day. In the case of amounts paid pursuant to bills
24 rendered on or after such first day for services which were

1 rendered before such first day and for which no previous bill
2 was rendered, such amendments shall apply except with re-
3 spect to such services as were rendered more than 2 months
4 before such first day. In the case of services rendered more
5 than 2 months before such first day, the provisions of sub-
6 chapter B of chapter 33 of the Code in effect at the time such
7 services were rendered, subject to the provision of section
8 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
9 apply to the amounts paid for such services.

[Report No. 1285]

A BILL

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

By Mr. MULLS

FEBRUARY 10, 1966

Referred to the Committee on Ways and Means

FEBRUARY 15, 1966

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Feb. 18, 1966
For actions of Feb. 17, 1966
89th-2nd; No. 27

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HIGHLIGHTS: See page 6

HOUSE

1. WEIGHTS AND MEASURES. The Science and Astronautics Committee reported with amendment S. 774, to require the Department of Commerce to conduct a program of investigation, research, and survey to determine the practicability of U.S. adoption of the metric system of weights and measures (H. Rept. 1291).
p. 3202

2. TAX ADJUSTMENT. The Rules Committee reported a resolution for consideration of H. R. 12752, to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income,

to accelerate current payments of estimated income tax by corporations, and to postpone certain excise tax rate reductions. ~~p. 3202~~

3. RECLAMATION. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 707, with amendment, to authorize the construction, operation, and maintenance of the Tualatin Federal reclamation project, Oreg.; and H. R. 2829, with amendment, to authorize the construction, operation, and maintenance of the Manson Unit, Chelan division, Chief Joseph Dam project, Wash. p. D105
4. ELECTRIFICATION. Rep. Michel criticized REA's "releasing funds to a G. & T. co-op in Indiana" before the Indiana Supreme Court passes "on the legal issues involved," and inserted excerpts from a Colo. Supreme Court opinion on a similar case in Colo. pp. 3175-78
5. BUDGET. Rep. Quie criticized the "proposed cut in both instructional and research funds." pp. 3178-80
6. FARM PROGRAM. Rep. Langen commended and inserted the report of a Republican Task Force on Agriculture "aimed at simplifying and streamlining the present maze of farm laws and regulations." pp. 3189-91
7. PRESIDENT'S SPEECH. Rep. McGrath commended and inserted the text of the President's speech at Atlantic City "concerning the Vietnamese war and topics of domestic urgency." pp. 3195-6
8. CCC. Received from this Department the annual report showing quantities of commodities on hand, sales and disposition methods used, and quantities of CCC commodities moved into consumption channels. p. 3202
9. LEGISLATIVE PROGRAM. Rep. Albert announced that on Wed. and the balance of the week the foreign aid authorization and tax adjustment bills will be considered. p. 3173
10. ADJOURNED until Mon., Feb. 21. p. 3202

SENATE

11. SCHOOL MILK. Sen. Proxmire criticized the budget cut in the school milk program and inserted an item in support of the program. pp. 3215-6
Sen. Javits criticized the school milk budget cut and urged enactment of legislation to make the program permanent and to provide that CCC milk and dairy products may be used in nonprofit school lunch programs without regard to priorities under present law. p. 3214
12. NOMINATION. The Agriculture and Forestry Committee reported the nomination of Nathan Koffsky to be a member of the CCC Board of Directors. pp. 3204-5
13. FOOD FOR FREEDOM. Sen. Nelson commended the President's proposed Food for Freedom program and stated it "makes several much-needed changes in our approach to the world hunger crisis." pp. 3233-4
14. FOREIGN AGRICULTURE. Sen. Javits inserted a series of articles "explaining the war for land reform and the problems of pacification" in South Vietnam. pp. 3222-5

CONSIDERATION OF H.R. 12752

FEBRUARY 17, 1966.—Referred to the House Calendar and ordered to be printed

Mr. COLMER, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 736]

The Committee on Rules, having had under consideration House Resolution 736, reports the same to the House with the recommendation that the resolution do pass.



House Calendar No. 206

89TH CONGRESS
2D SESSION

H. RES. 736

[Report No. 1292]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 17, 1966

Mr. COLMER, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 12752) to provide for
5 graduated withholding of income tax from wages, to require
6 declarations of estimated tax with respect to self-employ-
7 ment income, to accelerate current payments of estimated
8 income tax by corporations, to postpone certain excise tax
9 rate reductions, and for other purposes, and all points of
10 order against said bill are hereby waived. After general
11 debate, which shall be confined to the bill and shall continue
12 not to exceed four hours, to be equally divided and controlled

1 by the chairman and ranking minority member of the Com-
2 mittee on Ways and Means, the bill shall be considered as
3 having been read for amendment. No amendment shall be in
4 order to said bill except amendments offered by direction of
5 the Committee on Ways and Means, and said amendments
6 shall be in order, any rule of the House to the contrary not-
7 withstanding. Amendments offered by direction of the Com-
8 mittee on Ways and Means may be offered to any section of
9 the bill at the conclusion of the general debate, but said
10 amendments shall not be subject to amendment. At the con-
11 clusion of the consideration of the bill for amendment, the
12 Committee shall rise and report the bill to the House with
13 such amendments as may have been adopted, and the
14 previous question shall be considered as ordered on the bill
15 and amendments thereto to final passage without intervening
16 motion except one motion to recommit.

RESOLUTION

Providing for consideration of H.R. 12752, a bill to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

By Mr. COLMER

FEBRUARY 17, 1966

Referred to the House Calendar and ordered to be printed

Feb. 23, 1966

attention to the problem by all three levels of government." pp. 3697-8

8. EXPENDITURES. Sen. Stennis inserted an address by Sen. Robertson, "The Price of Big Government." pp. 3708-9
9. WATER RESOURCES. Sen. Metcalf inserted an article discussing the proposed North American Water and Power Alliance for the joint development of water resources by the U. S., Canada, and Mexico. pp. 3711-2
10. ECONOMICS; EMPLOYMENT. Sen. McCarthy reviewed and commended the significance of the Employment Act of 1946 on its 20th anniversary. pp. 3716-7
11. FORESTRY; RECREATION. Sen. Byrd, W. Va., commended enactment of legislation to establish the Spruce Knob-Seneca Rocks National Recreation Area, W. Va., under the jurisdiction of the Forest Service, and inserted items commending the action. pp. 3719-21

HOUSE

12. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 5147, to amend the Federal Employees Health Benefits Act of 1959 to permit until Dec. 31, 1965, certain additional health benefits plans to come within the purview of such Act (H. Rept. 1296). p. 3617
13. TRADE FAIRS. The Rules Committee reported a resolution for consideration of H. R. 9963, to promote the economic development of Alaska by providing for U.S. participation in the statewide exposition to be held there during 1967. p. 3617
14. FOREIGN AID. The Rules Committee reported a resolution for consideration of H. R. 12169, to amend the Foreign Assistance Act of 1961. p. 3617
15. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 10451, to authorize the Secretary of the Interior to transfer certain lands in Colo. to the Department of Agriculture for recreation development. p. D120
16. TAX ADJUSTMENT. By a vote of 246 to 146, passed with amendments H. R. 12752, the proposed Tax Adjustment Act of 1966, which includes provisions for the graduated withholding of income tax from wages, effective after April 30, 1966. A recommittal motion was rejected by a vote of 187 to 207. pp. 3524-74
17. NATURAL RESOURCES. Reps. Albert, Boggs, Hanna, and Roncalio praised the President's message on pollution and outdoor recreation. pp. 3522, 3522-3, 3576
18. CONSERVATION. Rep. Poage commended the landowners of his State and the Soil Conservation Service for their fight to "repulse the spread of moisture stealing...plants and brush." pp. 3575-6
19. FARM LABOR. Rep. Ullman spoke against the proposal "to extend the hourly minimum wage provisions to agricultural harvest operations," and stated that the effect on farm labor in Oregon would be "quite contrary to the stated intentions of the authors of the proposal." p. 3580

20. TRANSPORTATION. Rep. Langen urged speedy House consideration of the Senate-passed bill "to give the Interstate Commerce Commission additional rate-setting powers that would lead to an adequate supply of boxcars." p. 3586
21. FOOD FOR FREEDOM. Rep. Mink stated that the new food-for-freedom program "is a sound one", and expressed the hope that it would meet with quick approval. pp. 3598-9
22. EDUCATION. Rep. Ashley commended and inserted a speech by Leo S. Tonkin, "Federal Research and Development Funding and American Higher Education." pp. 3605-8
23. NATIONAL PARKS. Received from Interior a proposed bill to authorize the establishment of the Redwood National Park in Calif., and to provide economic assistance to local governmental bodies affected thereby; to Interior and Insular Affairs Committee.
24. LOBBYING. Received the quarterly reports on lobbying. pp. 3620-50

ITEMS IN APPENDIX

25. WATERSHEDS. Extension of remarks of Rep. Natcher describing the benefits of watershed projects to Ky. pp. A899-900
26. RECREATION. Extension of remarks of Rep. Race expressing the need for preserving natural resources and inserting an article praising Rep. Roncalio for his efforts in "pushing" recreation programs. p. A904
27. MILK. Extension of remarks of Rep. Hall objecting to reductions in school milk funds. p. A906
Rep. Roncalio inserted an article criticizing the administration's reduction in school milk funds while "doing nothing" to restore certain excise tax cuts. p. A942
Extension of remarks of Rep. Roncalio describing the cheese products of the new Wyoming Dairy Foods Co., which has "done more than demonstrate Wyoming's dairy potential..." pp. A907-8
28. EDUCATION. Rep. Gilligan inserted the President's speech before the Convention of the American Association of School Administrators. pp. A910-1
Extension of remarks of Rep. St. Onge urging restoration of Federal assistance programs in impacted areas. pp. A939-41
29. AGRICULTURAL PRODUCTION. Rep. Lipscomb inserted an editorial favoring increased agricultural production and "thereby restore the rapidly disappearing farmer." pp. A911-2
30. FARM LABOR. Rep. Talcott inserted an article, "Agricultural Labor: Who's Kidding Who?" pp. A921-3
31. WORLD FOOD. Rep. Cooley inserted Secretary Freeman's testimony before the House Agriculture Committee "in support of the concept of a world war on hunger..." pp. A935-9

basin planners and water control experts.

The President's proposal, therefore, seems to me to be eminently sound. Coupled with his recommendation for legislation that will place the war on pollution on a river-basin basis, we have been given the basis for a powerful two-pronged weapon which to mount an effective attack on one of the most pressing of our domestic problems.

I believe these measures will greatly speed our efforts to end the grave and growing pollution in our streams and rivers.

CALL OF THE HOUSE

Mr. SPRINGER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 17]

Baldwin	Gubser	Powell
Blatnik	Hagan, Ga.	Rivers, S.C.
Bolling	Harvey, Ind.	Rogers, Tex.
Burleson	Hosmer	Roudebush
Byrnes, Wis.	Jones, Ala.	Scott
Cabell	Jones, Mo.	Senner
Cederberg	Kee	Slack
Chelf	Mailliard	Smith, Iowa
Cohelan	Martin, Ala.	Steed
Conyers	Matthews	Teague, Tex.
Cramer	Miller	Toll
Dowdy	Moorhead	Walker, N. Mex.
Ellsworth	Morris	White, Idaho
Fallon	Murray	Willis
Farnsley	Ottinger	Zablocki
Fuqua	Patman	
Garmatz	Pool	

The SPEAKER pro tempore. On this rollcall 382 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

AUTHORIZATION FOR FILING OF REPORT

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent that the Rules Committee may have until midnight tonight to file privileged reports.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

NATIONAL PARKS ON THE NORTHERN COAST OF CALIFORNIA

(Mr. DON H. CLAUSEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Speaker, I am joining the President of the United States in proposing the creation of a Redwood National Park in my district along the northern coast of California. Accordingly, I am introducing a bill developed for this purpose by the agencies of the Federal Government.

To me and all of my constituents—620,000 strong—the strip of coastline from San Francisco north to the Oregon border is among the beauty spots of the

world. It amazes me that it took until 1962, when the Point Reyes National Seashore was created, to recognize this area for national status. Now it has become clear that one of the rarest resources in the world—the tall coast redwoods—should be recognized as one of our great national assets and that suitable redwood forests be set aside under the care of the National Park Service. By my words and action today, I fully endorse this concept.

But while I endorse the concept, I must be frank to say that I cannot endorse all of its parts. There are a number of reasons for this:

The first is that I saw the completed bill for the first time only last night. While I am well aware of its main provisions, I have not had time to study the small print nor otherwise learn the details.

Second, this is just as well because I think it mandatory that extensive committee hearings be held in the National Capital and in the redwood empire, as we call it, to weigh the values of this bill and sort its facets. I have consulted the gentleman from Colorado and, in his wisdom, he agrees.

Further, I hope to be in a position to offer any improvements necessary to perfect the proposal. More than 400 Members of this honorable body may find it hard to question the protection of beautiful redwood forests, and it is understandable. But there is only one—the Congressman from the First District of California—who has the direct responsibility to protect also the legitimate interests of all of the people who live there.

Rightly or wrongly, there is a great deal of opposition to a Redwood National Park within my district. Many people are critical that the State of California has not developed the recreational potential of the more than 100,000 acres of cathedral-like redwood forests it has held in State parks for many years. Because the timber products industry represents more than 70 percent of the local economy, others fear for their jobs. And still others, who pay property taxes, fear that the tax base will be seriously eroded by Federal acquisition of private lands, thereby increasing their own tax load. These are reasonable concerns that I, as their Representative, also must voice.

As the Members may be sure, some 30 bills to create a Redwood National Park have been introduced in this House. Still others discussed the situation with me and asked me about it; for this I will be eternally grateful. My own effort has been to work with the National Park Service, the Bureau of Outdoor Recreation, and the Bureau of the Budget up to and including a final meeting last night. I personally flew Government officials over mile upon mile of redwood forests, introduced them to local officials, lumber workers, and other citizens and otherwise acquainted them with the area and the problems major new Government acquisitions would cause.

As a result, I present to you today what I consider to be an honest attempt at compromise. It is an effort to fully recognize an esthetic obligation to the future while meeting the mundane ob-

ligations of today. It attempts to solve the economic problems such a park would create while others would shrug them off as a necessary sacrifice to the preservation of beauty. The main provisions of the bill are these:

First. Creation of a Redwood National Park by acquiring Jedediah Smith and Del Norte Coast Redwoods State Parks from California and acquiring other virgin redwood forests to connect the two into one large park. Although the bill also includes acquisition of the entire Mill Creek watershed, much of which is nonpark quality, I intend to propose some other method of watershed control—perhaps by contract with the private owner—to protect the virgin groves downstream and maintain a major employer in business.

To do this, I am irrevocably committed to introduce a second bill creating a National Redwood Park that contains the description of a corridor tying the Jedediah Smith and the Del Norte State Parks together as requested by some of the people of the area directly involved.

Second. An economic adjustment payment to local governmental bodies to not only offset property tax losses but to assist in other areas of economic adjustment, such as job retraining.

Third. An immediate crash program for development of the park to provide jobs and speed the expansion of the tourist industry. Coupled with direction to proper Government agencies to exert every effort in the areas of manpower retraining and relocation, this again is an honest effort to solve a major problem.

There are other proposals now pending before the Congress. Also, many varied opinions on the size and location of the proposed National Redwood Park are held by many constituents of my congressional district and many conservation organizations outside of the area involved.

I believe everyone agrees that the final recommendations will be made by the appropriate committees of the House and the Senate, and only after detailed hearings are held and evaluations made of the various proposals.

While I am quite naturally concerned about the effect any proposal will have on the landowner, I am more particularly concerned about the people involved—the men and women who work in the forest products industry, the people who are in service jobs or businesses that will feel the economic impact, the overall effect on the tax base of school districts, the county of Del Norte and any other political subdivision.

I think this bill is a reasonable starting point, and I submit it to the Congress for its serious consideration.

In conclusion, I feel it incumbent upon me to bring to the attention of the Congress another conservation matter that is of great importance to the people of my district and the Nation.

The Point Reyes National Seashore in Marin County, just north of San Francisco, was authorized prior to my arrival in Congress. The original authorization was for \$14 million. This amount has been funded by the Congress.

The problem now confronting us is the fact that the Park Service now estimates an additional \$30.5 million will be required to complete the land acquisition originally recommended for inclusion in the project.

While consideration is now underway for the creation of the Redwood National Park, I wish to remind the Members of Congress that we have an additional responsibility to complete the authorization and financing of this very important national seashore project which is immediately contiguous to the major population communities of the San Francisco Bay area. This is my first priority conservation project for our congressional district. I have committed myself to see it through.

HOME RULE FOR THE DISTRICT OF COLUMBIA

(Mr. SISK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SISK. Mr. Speaker, as one who for a long time has supported some type of self-government for the District of Columbia, I was amazed yesterday to read in the newspaper and to observe on television last night some recent proposals that have been made.

Every individual has a right in good conscience to take his position upon an issue, and certainly this is an issue that has been controversial.

Mr. Speaker, in recent years the economic boycott has been used in many instances and has come to be a way of life in this country. But the proposal which was brought forward yesterday goes far beyond anything of that type. It proposes that any merchant in the District of Columbia who does not support home rule all out will be listed and economically boycotted. But, in addition, he will be assessed a portion of a \$100,000 kitty to fight for home rule in this District.

In other words, this is the most glaring example of outright blackmail that it has ever been my opportunity to observe. As one who supported very strongly the bill which this House passed for home rule for the District, I have been continuing my efforts to get favorable action on that bill and to get it to the President.

Such exhibitions of misguided and half-baked leadership in the District of Columbia make far more difficult the task of those of us who are sincerely attempting to give an opportunity for home rule to the people of the District.

THE 17TH ANNUAL INTERNATIONAL PANCAKE DAY RACE

(Mr. DOLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, the 17th annual running of the International Pancake Day race was held yesterday in Olney, England, and Liberal, Kans.

I had the pleasure of being in Liberal and witnessing the record performance

of Miss Rachel Crites, age 18, of Liberal, Kans. The new record time for covering the 415-yard course is 1 minute 4.5 seconds.

The winner in England was Miss Janet Bunker, 16, who covered the course in 1 minute 5.1 seconds, which equalled the old record held by Mrs. Binnie Dick, of Liberal. Timewise, the race in Liberal, Kans., is subsequent to the race in Olney, England, and therefore, Miss Crites knew in advance the challenge she faced.

The International Pancake Day race has become world famous and as it now stands, Liberal contestants have been victorious nine times, those in Olney, eight. Everyone who participates in Pancake Day activities in Liberal, in our Nation's Capital, and in Olney, England, deserves a great deal of credit.

What started in 1950 on a rather small scale has become an annual event, attracting thousands of people and, needless to say, it does much to stimulate good will throughout both countries.

I congratulate Rachel Crites, the new champion, and also pay special tribute to the Liberal, Kans., Junior Chamber of Commerce for sponsoring this spectacular event.

HOME RULE FOR THE DISTRICT OF COLUMBIA

(Mr. ANDERSON of Illinois asked and was given permission to address the House for 1 minute.)

Mr. ANDERSON of Illinois. Mr. Speaker, I want to associate myself with the remarks that have just been made from the well by my colleague, the gentleman from California [Mr. SISK]. I composed some remarks yesterday and inserted them in the Appendix of the RECORD because there was no opportunity, it being Washington's birthday, to address the House on this subject.

As one who is not opposed fundamentally to home rule, I do want to declare my complete distaste for the methods of economic blackmail that apparently now would be substituted for the rule of reason in dealing with this very important proposal.

I congratulate the gentleman from California for taking the floor to express his sentiments in this respect.

TAX ADJUSTMENT ACT OF 1966

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 736 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 736

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not

to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER pro tempore. The gentleman from Mississippi [Mr. COLMER] is recognized for 1 hour.

Mr. COLMER. Mr. Speaker, I yield the usual 30 minutes to the gentleman from California [Mr. SMITH] representing the minority, and pending that I yield myself such time as I may consume.

Mr. Speaker, if I may have the indulgence of the House for a very few minutes, I should like to discuss in those few minutes this new revenue bill. Permit me to say in the first instance that, like every Member of this House, I am opposed to raising taxes. There is only one thing that I am more opposed to as a Member of this House, and that is to this Government going deeper and deeper and deeper into debt every year.

Now, taxes are always burdensome and are ever increasingly becoming burdensome, but, as I indicated, we have to look at the long-range program and we have to weigh and evaluate the question of which is the worse evil, the raising of more revenue or the increasing of our national debt. Above all this, of course, is the ever-present and ever-increasing danger of ruinous inflation.

Mr. Speaker, this bill would change the method of collecting taxes, which the committee estimates would bring in considerable revenue. The other provision of the bill would not repeal but, rather, reinstate or reauthorize the collection of certain excise taxes. It would reimpose these excise taxes, which were scheduled under the bill passed last year to expire and which would therefore under this bill add additional revenue.

Mr. Speaker, I was opposed to the repeal of these taxes on previous occasions on the same theory and on the same philosophy that I am now stating here; namely, that you have to have some semblance of fiscal responsibility. I just belong to that old-fashioned school that believes somewhere down the line there has to be a day of reckoning and that you just cannot keep on spending, spending, and spending, and keep adding and adding to the national debt. So I reluctantly take the unpopular position here of supporting this bill—no man in public life likes to take an unpopular position, particularly the one of raising the burdens of taxation—and I take this position upon that theory and upon that philosophy of fiscal responsibility.

Now, what is the situation here? We owe—and I have the most recent figures—a little matter of \$320 billion. This is the figure that the Treasury comes up with. But if all of the obligations of the Government were added it would be many times that figure. In fact, it would be in the astronomical figure of trillions. The interest on that acknowledged figure of \$320 billion is \$12.8 billion annually.

Now, Mr. Speaker, when Mr. Roosevelt came here in 1933, Mr. Hoover was spending approximately one-third of that amount of money to run the entire National Government—everything; armed services, welfare, and everything else.

Now the proponents of the Great Society tell us that we have the greatest era of prosperity we have ever had in this Nation. I believe that is true. I do not believe there is any question about it. The Nation is enjoying unprecedented prosperity.

But, Mr. Speaker, I come back to the point that a large portion of that prosperity is the result of governmental spending, and that if the Government keeps accelerating the spending which we are now experiencing, we will have just that much more of this artificial prosperity.

However, somewhere—and I come back to my original point—down the line there has to be a day of reckoning.

Now, Mr. Speaker, another reason I go along with this tax bill is, to lessen the deficit that we are facing—is because of the retarding effect that it will have upon inflation.

Mr. Speaker, I have stood in the well of this House at least 20 times in the last 20 years and made the statement, that I feared inflation worse than I feared communism; that we were in more danger of destroying ourselves from within than we were from without.

Mr. Speaker, we have inflation today. Would anyone deny that? If you are not familiar with it, ask your wife about it when she goes shopping. It is increasing all the time. This will serve to place a little brake upon that evil of inflation.

Mr. Speaker, there is an additional reason: We are fighting a war over there in Vietnam. We do not call it a war, but the boys over there in the jungles and the rice paddies will tell you that it is a war. The mothers scattered throughout your districts who are sending their boys over there, the casualty lists, will all tell you that we are in a war. And, Mr. Speaker, we are coming in here tomorrow, or the next day—in the next few days, at any rate—with authorization for additional billions of dollars because of that war that is going on over there. Whether we should be there or not is another question. The fact is that we are there and we have to support our boys who are there.

Mr. Speaker, is there anyone in this House today—and if so I shall yield to him—who will differ with me when I say that the end of that war is not in sight; that it could well last for 5 or more years? It could well last for 10 or 20 years, if we do not fight an all-out war, if we follow the appeasement policy

permitting the Communists to call the signals and we run only the defensive plays.

So, Mr. Speaker, we are faced with a situation here where we have got to maintain some sense of responsibility on the domestic front.

Now, Mr. Speaker, I just happen again to be old-fashioned enough to believe that we can not have our pie and keep it too—or to put in conversely, we can not have both butter and guns.

But yet I see no indication whatever upon the national horizon to cut down on this domestic spending. On the contrary, we are authorizing more and more and more new programs that are going to cause greater and greater and greater deficits, and further debase our currency and hasten that day of confrontation when we have to realize what is going on.

Would it not seem the prudent thing to do—would not private business or private enterprise or the private individual who has some sense of responsibility and prudence—would he not try, if he got into trouble on one side—would he not try to retrench on the other? Oh, but no, not the Government—not the Federal Government. We are going to continue both the domestic spending and the acceleration of the welfare state and at the same time furnish more and more of the sinews of warfare which come, incidentally, very expensively.

Mr. Speaker, I am very much concerned about the future of this country. I am very much concerned about the perpetuation of the Republic with its cherished institutions. I think it is time to stop, look, and listen a little bit and try to get back on an even keel.

I do not like this bill—I repeat. I do not like this rule. Because traditionally I am opposed to closed rules, but I think we have to have this or some other method of stabilizing our fiscal situation. Therefore, like most of you, I am going to go along reluctantly with this bill.

Mr. Speaker, when my friends, the able gentleman from Arkansas—and there are very few in this House, if any, who are more able than he is—comes before the Committee on Rules again—which I anticipate, before too long, and asks for another increase in the debt limit—and you remember we had two or three last year and we will probably have at least—I know we will have at least one more and possibly two or three more before this Congress is over—or certainly before this situation is solved—I am going to be against it.

As one Member of this House of Representatives, I am trying to call the attention of the American people to our financial situation.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield to my distinguished friend, the gentleman from Iowa, who I might say is not responsible for our unfortunate debt situation.

Mr. GROSS. There is one figure that I would like to add to the figures that the gentleman has given and that is the figure of \$1,206 billion of public and private debt in this country as of December 31, 1965. That is an increase of

between \$88 billion and \$89 billion over the figure for 1964. Somehow or other, as the gentleman has said, we have to stop spending. But like the gentleman, I see no evidence of it. Already in this session of Congress I have seen millions voted for Interama. I have seen more millions for a National Air Museum voted through Congress and the \$1 billion Southeast Asian Development Bank went through as if the skids were greased. I see no evidence of anyone trying to cut back on spending. It is going to be hard for me to reconcile a vote for this bill here today in the light of the spending that has already been authorized for projects that could and should have been deferred.

Mr. COLMER. I thank the gentleman for his contribution. He usually makes a valuable contribution. I can understand how he will find it difficult to vote for this tax bill even as I have already stated I am finding it difficult to do so.

I have a great admiration for my friend from Iowa, as he knows, and I am not trying to put words in his mouth. I am sure that, knowing him as I do, he will evaluate this situation, and that, at least in my judgment, he will come up with the conclusion that I have reached that, as bitter as a pill may be, some medicine must be taken at this time.

I express the hope that the administration and the Congress will act prudently and responsibly and curtail these new programs in the interest of giving the necessary support to the war effort and in the interest of fiscal responsibility.

Mr. Speaker, I am no newcomer to the philosophy which I have just enunciated. As a matter of fact, I have been hoisting the danger signals on this floor for many years. Not in the sense of "I told you so," but because I think it is worth repeating. I shall submit, in the nature of an appendix to my remarks here today, a statement that I made upon this floor on March 19, 1952, some 14 years ago.

The title of that speech was, "High Taxes Result in Unbridled Spending," and is as follows:

Mr. COLMER. Mr. Speaker, I call up House Resolution 578 and ask for its immediate consideration.

Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. Allen], and pending that, I yield myself 15 minutes at this time.

Mr. Speaker, for the past two decades this splendid young Republic has been going through one crisis after another; some were real, others mere political creations advanced to perpetuate those in control of the government in power. Today we are faced with another crisis, a real crisis, a crisis that threatens to destroy the fiscal foundation of the Republic. We are on the brink of the precipice of national bankruptcy. More and more thoughtful citizens throughout the country are realizing and fully appreciating the dangers ahead if this unbridled governmental spending is permitted to continue.

Today we, the representatives of the people, are given an opportunity to apply the brakes and thus make a further contribution toward reversing the trend in extravagant governmental spending.

This rule makes in order the consideration of H.R. 7072, the annual independent offices appropriation bill, a bill appropriating funds for the next fiscal year for most

of the Federal bureaus. The President, through his Budget Bureau, requested of the Congress a total of \$2,085,097,390 for these bureaus. The Appropriations Committee, under the able leadership of its subcommittee chairman, the gentleman from Texas [Mr. Thomas] has cut that request by a total of \$700,048,695. In every case the committee has made substantial reductions excepting, of course, such items which are fixed and not susceptible to reduction.

As one who has long been interested in this economy drive, I desire now to express, in the premises, on my own part and on the part of my coworkers, the gratitude of all economy-minded Members of this body for the committee's efforts. While further efforts will be made in the form of appropriate amendments to make even further economies, I apprehend that determined efforts will be made by those Members of the House who consider themselves liberal minded to restore the reductions made by the committee in an effort to continue the spending spree. This effort must not prevail. The line must be held.

BALANCED BUDGET

Mr. Speaker, I have been alarmed for the past several years over the dismal picture presented of the country going deeper and deeper each year into the red while the Federal Government digs deeper and deeper into the pocket of the American taxpayers. More than a year ago a little band of southern Democrats, with the aid of others, in this body got together and agreed to accept the President's challenge to cut his budget. Last

year we succeeded in trimming that budget several hundred million dollars. This year others have joined our group and the work continues. We have reason to believe that, with the addition of more and more converts to the cause, the budget can be balanced this year in spite of the \$82,000,000,000 request of the President with the resultant \$14,000,000,000 proposed deficit. If the economy line is held on this bill and the succeeding appropriation bills yet to come before us, there will be no necessity for any deficit. We can place ourselves on a pay-as-you-go basis. Therefore our immediate objective this year should be a balanced budget.

It is as obvious as the noonday sun that if we cannot balance the budget now, with an alltime high national income of cheap money together with an alltime high taxing program, the hope of ever balancing the Nation's budget is indeed dim. In fact, prudence suggests that under such conditions we should be retiring a part of our gargantuan debt and fortifying our fiscal condition for the eventual rainy day.

FANTASTIC GROWTH OF NATIONAL DEBT

Mr. Speaker, the growth of our national debt and the fantastic amount of taxes extracted from our people has caused me to do a little research. I thought it might be well to call the attention of the Congress and the country to some comparative figures of taxes and expenditures by our Federal Government at 25-year intervals over a period of the past 160 years of the country's history. The startling results are as follows:

Period	Total expenditures	Net receipts	Change in public debt
1789 to 1813	\$219,233,000	\$221,816,000	\$6,024,000.00
1814 to 1838	534,759,000	644,634,000	-71,053,000.00
1839 to 1863	2,232,812,000	1,130,702,000	1,109,339,000.00
1864 to 1888	8,833,181,000	8,881,529,000	264,858,000.00
1889 to 1913	12,701,857,000	12,787,468,000	-191,584,000.00
1914 to 1938	124,883,429,000	89,393,932,000	35,971,693,000.00
1939 to 1962 ¹	638,131,389,000	419,494,298,000	260,193,628,740.39

¹ 1790 to 1813.

² To Mar. 13, 1962.

To say that the figures are startling is an understatement. It is significant to note that in the first period of the country's existence, when the Jeffersonian principle that the people who are least governed are best governed was in full bloom, and prior to the growth of the doctrine of paternalism that the poor young striving Republic actually had a substantial balance of more than \$6,000,000 in the Treasury. Compare that figure with the national debt of more than \$260,000,000,000 today and one is compelled to question the oft-repeated statement that the country today is more prosperous than ever before in its history. Moreover, I desire to again call the attention of my colleagues to the fact that the Government is no different in its fiscal affairs from the individual or a corporation. The management of Government is a business matter. The fact that Government is big business makes no difference. And I repeat what I have often stated on the floor of this House, "There is a bottom to the Government's meal barrel as well as to the individual's or the corporation's."

INCONCEIVABLE DEBT

Mr. Speaker, we have been lulled into complacency so long by the so-called liberal thinkers and have been so accustomed to appropriating the taxpayers' money in denominations of billions that it is impossible to comprehend what a billion really is. Some mathematician, in an effort to comprehend a billion dollar figure, has come up with this startling illustration:

"If a person had started in business in the year A.D. 1 with a billion dollars capital, and

if he had managed his business so poorly that he lost \$1,000 each day, in 1952 he still would have enough capital left out of his original billion to continue in business, losing \$1,000 a day, for almost an additional 800 years, or until the year 2739."

Now in order to attempt to get some conception of how long it will take us to retire the present national debt of over \$260,000,000,000 let us assume that we are frugal and prudent and start retiring that debt at the rate of \$500,000,000 a year; 520 years would be required to retire the debt.

Moreover, Mr. Speaker, if further emphasis is desired on our financial status one needs only to refer to the fact that it now requires more than \$6,000,000,000 per annum in the form of interest to service this enormous debt. The Treasury has now asked for and we appropriated last week an increase of \$300,000,000 to take care of the increased interest on that debt over last year. In other words, the interest alone on our national debt is costing the taxpayers now about one and one-half times as much as the total expenditures for 1 year of the Federal Government in the period 1914-38.

DARK BUT NOT HOPELESS

Mr. Speaker, that, sir, is the fiscal condition of the greatest business in the world, the United States of America. It is an unpleasant picture. It cannot be passed off lightly with the explanation that we are in a global warfare against communism, another crisis. Neither can we comfort ourselves into further complacency by adding to that the fact that we have recently emerged victoriously from a global strife with Nazi Germany

and totalitarian Japan. The fact is that the country has been victorious in other contests at arms and through other crises throughout its history without serious impairment of its financial structure. Those crises, prior to World War II and prior to the Soviet Russian menace, were serious too in their day. Can it be logically reasoned that the situation in this country for the past 6 years has been so grave as to require the extraction of more taxes from the American people than was taken from them in the first 156 years of the country's existence? I think not.

Permit me to again point out to my colleagues what I have repeatedly pointed out on the floor of the House during the past 6 years that so far as the masters of the Kremlin are concerned they want neither war nor peace. Their main purpose, in my humble judgment, is to conquer this country, as they have conquered all others, by the simple procedure of bleeding us white in the destruction of our economy. They would accomplish this here as elsewhere through fear, infiltration, by prodding us into national bankruptcy, and taking over in the resultant confusion of chaos and hunger. No one realizes more than the Kremlin strategists that a hungry belly cares little about the type of government it lives under. In substantiation of this I call your attention to the well-known fact that more than 600,000,000 peoples have been drawn behind the Iron Curtain without the firing of a single gun by a Russian soldier.

When the blank checks, running into untold billions, are requested of the Congress for national defense and military and economic aid to foreign countries, we of the Congress, the representatives and spokesmen for the American taxpayers, must stop and ponder. We must approach these requests realistically, giving due weight to the probability of the correctness of this view. For, it must be obvious to all that we Americans cannot indefinitely continue to arm and feed half the world. America is a rich nation but there is a limit even to the resources of this great Nation. As one who made an on-the-spot study of world conditions in 13 foreign countries immediately following the war, I have always recognized the necessity for a helping hand to those who were making an honest effort to resist the plague of communism. But I have always consistently opposed the enormous amounts involved and advocated a more realistic contribution. It is unthinkable that we should now comply with the President's request for another \$8,000,000,000 contribution.

CONGRESSIONAL RESPONSIBILITY

Mr. Speaker, the solution to our financial problem and the responsibility therefor are strictly up to the Congress. More than that it is up to this House to see that the dangerous trend is reversed. I need not remind you that the wise men who founded this Government provided that because we of the House must originate all taxes and appropriations we should be elected every 2 years. We cannot hide behind the Chief Executive or complain of the traditional policy of the other body to increase appropriations. Certainly, at best the responsibility is twofold, the President and the Congress. Furthermore, I should like to refresh your memories today by calling your attention to the fact that the people of America are tax conscious as never before. The income tax, originally designed and practiced as a soak-the-rich tax, has become so enlarged that it now digs into the pockets of the smallest businessman, the white-collar worker, and the day laborer. The policy, under the Fair Deal program, of everybody touching the Federal Government has likewise developed into the policy of the Federal Government touching everybody. Even the humblest citizen now realizes that the Federal Government is no Santa Claus.

In fact, we have reached the saturation point in taxation. With the tax rate as high as 90 percent in the upper brackets, the incentive for businessmen to make money scarcely exists, while the day laborer and the middle class find it difficult to live under the high rate of their own taxes.

Yes, Mr. Speaker, the people, the overburdened taxpayers of this country, are looking to us, as their representatives, to at least balance the budget. In fairness to those who founded this Republic and to the generations of future Americans yet unborn, we can do no less.

SOLUTION

Mr. Speaker, I fear that I have been bore-some, and that I may even be charged with pessimism, in this long recital in an effort to emphasize the seriousness of the situation. It is serious. America is at the crossroads in its fiscal policy. If we do not change that policy we became a bankrupt people. If we destroy the faith and credit of the Government we lose everything, our economy, our standard of living, yes, even our cherished liberties.

If the Congress is to regain its constitutional control of the purse strings; if the budget is to be balanced; if we are ever to liquidate this enormous debt, I respectfully suggest and urge that the following formula be adopted:

First. Our legislative committees, as well as committees on appropriations, must cease reporting out bills except those which are absolutely essential to our economy and national defense.

Second. Every Member of this body must recognize that the objective of balancing the budget is his most important assignment.

Third. Sectionalism, partisan politics, responsiveness to highly organized minorities, must give way to the national need for a sound financial policy.

Fourth. Every dollar appropriated must be considered as carefully as if it were coming out of the pockets of the Members themselves, as indeed the Members' proportionate share is.

Fifth. Our congressional committees, particularly the appropriation committees, must be staffed with an adequate staff of experts equal in efficiency to the staffs of the various governmental agencies who appear before them seeking appropriations.

Sixth. The Congress and the country must recognize that financial solvency is as important as military might in preparing ourselves against any potential foreign aggressor, a fact which our military captains should be made to understand.

Seventh. Our foreign friends must be made to understand that there is a limit to the resources of America.

Eighth. The system of permitting the carryover of unspent funds from the current fiscal year into the new year must be abandoned. A meticulous study of the 1,200 pages of the President's budget this year will show that the carryover of unspent funds from the current fiscal year will exceed \$60,000,000,000.

Ninth. The procurement of military requirements, which constitute more than 50 percent of our expenditures, must be placed in the hands of trained civilians who appreciate the value of the dollar.

Tenth. And finally, the citizens of the Republic, now conscious as never before of the burdens of taxation, must practice the doctrine of States responsibility as well as States rights. The practice of looking to Washington for Federal aid in civil responsibilities of their own must cease. They must realize that there is no State, county, or city whose financial statement is not sounder than that of the Federal Government.

Finally, Mr. Speaker and Members of the House, this budget can be balanced and must

be balanced this year. Whatever it takes to balance it must be done. A \$14,000,000,000 deficit under the President's budget recommendations is unthinkable. If this country, the last fortress and haven of a free people, is to survive our fiscal policy must be placed on a sound basis. The time is now. Next year may be too late. Now is the time to place the country above party.

In the name of the Founding Fathers who gave the country its birth, in the name of the untold thousands who have died to preserve it, in the name of free peoples everywhere, I beseech you to save the Nation from bankruptcy and thus perpetuate this, the most glorious form of free government ever conceived by the minds of men.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks.)

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may use.

First, may I commend the distinguished gentleman from Mississippi [Mr. COLMER], on the very fine statement that he has made. I find myself in complete agreement with his statement and wish to concur in his remarks.

I cannot help but feel that some of us have a right to feel a little foolish and maybe a little embarrassed here today in connection with this bill.

Last year I remember that we had quite a tax cut. We supported it. We were all pleased to go and tell our constituents that after all these years we were able to do away with many of the wartime excise taxes and reduce others, particularly in the case of the telephone excise tax, as to which many of us had bills in. That tax was reduced. We glowingly reported it to our constituents. Even in some areas the various telephone companies sent notices with their bills to telephone users commending those who supported that particular bill.

Now we find that that particular reduction has lasted less than 2 months, and we are back in here today asking for certain changes in those taxes and others.

At the same time it was my understanding last year, when we voted these heavy tax cuts and reductions, that we had assurance from the administration that the budget to be presented for 1967 could be handled within our income without the necessity of increased taxes or, for that matter, could be handled with the tax bill as passed last year. At least that was my understanding.

Apparently that has not taken place at the present time. Even today, as we are about to consider this bill today, we do not know what the cost of the continuance of the war will be. We have no idea of determining that as of now. It is much more than it was last year. I still feel that we should in some way give thought to curtailing some of these programs, not extending existing ones and starting new ones until we get this war over and find out what the cost will be.

I anticipate that before the first of July we will again be asked to increase the debt ceiling. At the same time we seem to be fighting three wars—a war in Vietnam, a war on poverty, and a war on

inflation—and then, on top of that, we are being asked by the administration to spend for international health and international education. It does not seem to make too good sense to me. I think we are definitely going to have a day of reckoning. I think it could be very serious when it comes, because the taxpayers of the United States of America will not be able to feed and clothe the entire world and to fight everybody's war.

So far as the resolution under consideration today, House Resolution 736, it does provide a closed rule, with 4 hours of debate, and points of order are waived. The rule is closed, of course, because once again, the entire tax code would otherwise be open. Points of order are waived in order to comply with the Ramseyer rule. The bill would provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. Speaker, I know of no objection to the rule. I reserve the balance of my time but, as I have said, I have no requests for time.

Mr. COLMER. Mr. Speaker, I yield 5 minutes to the distinguished chairman of the Rules Committee, the gentleman from Virginia [Mr. SMITH], and ask unanimous consent that he may be permitted to speak out of order.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

BOYCOTT OF THE MERCHANTS OF THE DISTRICT OF COLUMBIA

Mr. SMITH of Virginia. Mr. Speaker, I do not think I shall consume the 5 minutes, but something occurred yesterday in the District of Columbia, a report of which appeared in the local newspapers, of such an extraordinary nature that I do not think we ought to ignore it. I think it is a historic thing that ought to be brought to the attention of the Congress and at least put into the RECORD.

The gentleman from California [Mr. SISK] referred to it briefly in a 1-minute speech this morning. I wish to read a newspaper clipping that appeared in the Washington Star last night. I have never known of anything of the nature proposed that has ever been suggested before in the history of our country—a threatened boycott of the whole merchant population of the District of Columbia.

This is the threat that that community of business people in the District, unless they change their views and go along with this proposal to have this type of home rule in the District, shall be required to contribute to a fund of \$100,000 to promote the piece of legislation that a certain private organization is trying to put across. They are perfectly bold, and frank and serious.

I am going to read you this article, and it speaks for itself. It is a pure threat of blackmail, blackmail of a business

community to the extent of \$100,000. I am going to read this article because I want to make it a matter of record as to who is behind it.

This is from the Washington Star of February 22.

Details of a plan to coerce District businessmen into supporting home rule legislation by threatening them with a boycott were announced yesterday by three local civil rights groups.

Rt. Rev. Paul Moore, Suffragan Episcopal bishop, joined spokesmen from the Student Nonviolent Coordinating Committee, the National Association for the Advancement of Colored People, and the D.C. Coalition of Conscience—

Whatever that is—
in urging support of the campaign among 7,000 District merchants.

That is the campaign to raise \$100,000.

"We are sorry this kind of militancy is necessary to bring to people the right to vote," Bishop Moore declared, "but all other methods have failed. We have tried lobbying, police talk, and even picketing and demonstrations."

Banding together as the "Free D.C. Movement," spokesmen for the groups said businessmen will be asked to—

And here are the four things that they are going to be forced to do—

(1) sign petitions for home rule, (2) send telegrams to the President and Congress urging passage of home rule legislation, (3) display "Free D.C." emblems—

Whatever they are—

and (4) raise \$100,000 in contributions to a new "Merchants and Businessmen's Committee to Free D.C."

Now, that is the blackmail.

John W. Diggs, a northeast barber and chairman of the committee, said the first targets of the boycott will be announced Thursday after a conference with representatives of a major department store and a large grocery chain.

All merchants who fail to participate in all four steps of the campaign will be listed in some 100,000 leaflets to be distributed in the District, and residents would be asked to boycott them "step by step," Diggs said.

Diggs said the \$100,000 was being sought to run advertisements in newspapers across the country "to counteract" a Board of Trade campaign against home rule.

Mr. Speaker, I bring this to the House. I do not think that this needs more argument, but I think everybody in the United States ought to know when a bold blackmail attempt is made out in the open in the Nation's Capital. It ought at least to be known by the people of the United States.

Mr. COLMER. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore. The question is on agreeing to the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HALL. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 326, nays 50, not voting 56, as follows:

[Roll No. 18]

YEAS—326

Abbott	Fogarty	Mackie
Addabbo	Foley	Madden
Albert	Ford, Gerald R.	Mahon
Anderson, Ill.	Ford,	Marsh
Anderson, Tenn.	William D.	Martin, Mass.
Andrews,	Fountain	Martin, Nebr.
George W.	Fraser	Mathias
Andrews,	Frelinghuysen	Matsunaga
N. Dak.	Friedel	May
Annunzio	Fulton, Pa.	Meeds
Arends	Fulton, Tenn.	Michel
Ashley	Fuqua	Mills
Ashmore	Gallagher	Minish
Aspinall	Gathings	Mink
Ayres	Gettys	Minshall
Bandstra	Gialmo	Mize
Barrett	Gibbons	Moeller
Bates	Gilbert	Moore
Battin	Gilligan	Morgan
Beckworth	Gonzalez	Morrison
Belcher	Grabowski	Morse
Bell	Gray	Morton
Bennett	Green, Oreg.	Mosher
Berry	Green, Pa.	Moss
Betts	Greigg	Multer
Bingham	Grider	Murphy III
Boggs	Griffin	Murphy, N.Y.
Boland	Grover	Natcher
Bolton	Hagen, Calif.	Nedzi
Bow	Halleck	Nix
Brademas	Halpern	O'Brien
Brock	Hamilton	O'Hara, Ill.
Brooks	Hamley	O'Hara, Mich.
Brown, Calif.	Hanna	O'Konski
Broyhill, Va.	Hansen, Iowa	Olsen, Mont.
Burke	Hansen, Wash.	Olson, Minn.
Burton, Calif.	Harvey, Mich.	O'Neill, Mass.
Burton, Utah	Hathaway	Patten
Byrnes, Wis.	Hawkins	Pelly
Cabell	Hays	Pepper
Cahill	Hechler	Perkins
Callan	Helstoski	Philbin
Callaway	Henderson	Pickle
Cameron	Herlong	Pike
Carey	Hicks	Pirnie
Carter	Hollifield	Poage
Casey	Holland	Poff
Celler	Horton	Powell
Clancy	Hosmer	Price
Clausen,	Howard	Pucinski
Don H.	Hull	Purcell
Cleveland	Huot	Quile
Collier	Ichord	Race
Colmer	Irwin	Randall
Conable	Jacobs	Redlin
Conte	Jarman	Rees
Cooley	Jennings	Reid, Ill.
Corbett	Joelson	Relfel
Corman	Johnson, Calif.	Reinecke
Craley	Johnson, Okla.	Reuss
Culver	Johnson, Pa.	Rhodes, Ariz.
Cunningham	Jonas	Rhodes, Pa.
Curtin	Jones, Ala.	Rivers, Alaska
Curtis	Jones, N.C.	Roberts
Daddario	Karsten	Robison
Dague	Karth	Rodino
Daniels	Kastenmeier	Rogers, Colo.
Davis, Ga.	Kee	Rogers, Fla.
Davis, Wis.	Keith	Ronan
Dawson	Kelly	Rooney, N.Y.
de la Garza	Keogh	Rooney, Pa.
Delaney	King, Calif.	Rosenthal
Dent	King, N.Y.	Rostenkowski
Denton	King, Utah	Roush
Dingell	Kluczynski	Roybal
Dole	Kornegay	Rumsfeld
Donohue	Krebs	Ryan
Dorn	Kunkel	Satterfield
Dow	Laird	St Germain
Dulski	Landrum	St. Onge
Duncan, Oreg.	Langen	Saylor
Dwyer	Latta	Scheuer
Dyal	Lipcomb	Schisler
Edmondson	Long, La.	Schneebell
Edwards, Ala.	Long, Md.	Schweiker
Edwards, Calif.	Love	Selden
Edwards, La.	McCulloch	Shriver
Evans, Colo.	McDade	Sickles
Everett	McDowell	Sikes
Evins, Tenn.	McEwen	Sisk
Farbstein	McFall	Smith, N.Y.
Farnum	McGrath	Smith, Va.
Fasell	McMillan	Springer
Feighan	McVicker	Stafford
Findley	Macdonald	Staggers
Flood	MacGregor	Stanton
Flynt	Machen	Steed
	Mackay	Stephens

Stratton	Tunney	Whitener
Stubblefield	Tupper	Widnall
Sweeney	Tuten	Wilson, Bob
Talcott	Udall	Wilson,
Taylor	Ullman	Charles H.
Teague, Calif.	Utt	Wolff
Tenzer	Van Deerlin	Wright
Thompson, N.J.	Vanik	Wyatt
Thompson, Tex.	Vigorito	Wydler
Thomson, Wis.	Waggonner	Yates
Todd	Watts	Young
Trimble	Whalley	Younger
Tuck	White, Tex.	

NAYS—50

Abernethy	Diggs	Passman
Adair	Duncan, Tenn.	Quillen
Andrews,	Erlenborn	Reid, N.Y.
Glenn	Fino	Roncalio
Ashbrook	Griffiths	Schmidhauser
Baring	Gross	Secrest
Bray	Gurney	Shipley
Broomfield	Haley	Skubitz
Brown, Ohio	Hall	Smith, Calif.
Broyhill, N.C.	Hansen, Idaho	Stalbaum
Buchanan	Hungate	Vivian
Chamberlain	Hutchinson	Walker, Miss.
Clawson, Del.	Jones, Mo.	Watkins
Conyers	Kupferman	Watson
Derwinski	McClory	Weitner
Devine	Nelsen	Whitten
Dickinson	O'Neal, Ga.	Williams

NOT VOTING—56

Adams	Goodell	Ottlinger
Baldwin	Gubser	Patman
Blatnik	Hagan, Ga.	Pool
Bolling	Hardy	Resnick
Burleson	Harsha	Rivers, S.C.
Byrne, Pa.	Harvey, Ind.	Rogers, Tex.
Cederberg	Hébert	Roudebush
Chelf	Kirwan	Scott
Clark	Leggett	Senner
Clevenger	Lennon	Slack
Cohelan	McCarthy	Smith, Iowa
Cramer	Mailliard	Sullivan
Dowdy	Martin, Ala.	Teague, Tex.
Downing	Matthews	Toll
Ellsworth	Miller	Walker, N. Mex.
Fallon	Monagan	White, Idaho
Farnsley	Moorhead	Willis
Fisher	Morris	Zablocki
Garmatz	Murray	

The resolution was agreed to.

The Clerk announced the following pairs:

Mr. Patman with Mr. Ellsworth.
Mr. Miller with Mr. Goodell.
Mrs. Sullivan with Mr. Roudebush.
Mr. Byrne of Pennsylvania with Mr. Cederberg.
Mr. White of Idaho with Mr. Harvey of Indiana.
Mr. Hébert with Mr. Cramer.
Mr. Toll with Mr. Baldwin.
Mr. Zablocki with Mr. Mailliard.
Mr. Kirwan with Mr. Harsha.
Mr. Fallon with Mr. Gubser.
Mr. Garmatz with Mr. Martin of Alabama.
Mr. Hardy with Mr. Ottlinger.
Mr. Pool with Mr. Resnick.
Mr. Clark with Mr. Walker of New Mexico.
Mr. Blatnik with Mr. Murray.
Mr. Slack with Mr. Fisher.
Mr. Matthews with Mr. Rogers of Texas.
Mr. Chelf with Mr. Clevenger.
Mr. Monagan with Mr. Teague of Texas.
Mr. Morris with Mr. Dowdy.
Mr. Downing with Mr. Cohelan.
Mr. Smith of Iowa with Mr. Lennon.
Mr. Moorhead with Mr. Hagan of Georgia.
Mr. Rivers of South Carolina with Mr. Willis.

Mr. McCarthy with Mr. Scott.
Mr. Senner with Mr. Farnsley.
Mr. Adams with Mr. Leggett.

Mr. BUCHANAN changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

COMMITTEE ON INTERSTATE AND
FOREIGN COMMERCE

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce be allowed to sit during general debate this afternoon.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

TAX ADJUSTMENT ACT OF 1966

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12752), to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 12752, with Mr. HANSEN of Iowa in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Arkansas [Mr. MILLS] will be recognized for 2 hours and the gentleman from Wisconsin [Mr. BYRNES] will be recognized for 2 hours.

The Chair recognizes the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the bill, H.R. 12752, is intended first and foremost to provide additional revenues to help finance the expenditures required to sustain our operation in Vietnam. In large part it does this without increasing tax rates.

Raising revenue is the sole purpose for the three major provisions of the bill—the acceleration of estimated income tax payments by corporations and the 2-year moratorium on rate reductions in the excise taxes on passenger automobiles and telephone service. The remaining provisions of the bill—while they entail revisions in tax collection procedures which stand on their own merits—are proposed at this time because they too will raise revenue. These latter provisions include graduated withholding, quarterly payments by the self-employed of their estimated social security tax, and an increase in the percentage of tax to be paid currently through withholding, estimated tax payments, or both.

THE BUDGET WOULD BE BALANCED BUT FOR
VIETNAM

Mr. Chairman, it is not a very pleasant responsibility that we in the Committee on Ways and Means have, coming to our

colleagues in the House from time to time asking for support with respect to problems of debt management and asking for support with respect to tax bills. On the other hand it was a pleasure for us in 1962, in 1963, and again in 1965 to be in a position of suggesting to you that it would be well for us to reduce some of the taxes that had been levied or increased in World War II and levied or increased again in the Korean war and continued for all of this period of time.

Before I explain the various provisions of this bill I would like to make some observations about our budgetary and fiscal situation. First, were it not for the special costs connected with our operations in the defense of Vietnam, the budget for the current fiscal year would be much closer to balance than was anticipated in the January 1965 budget message of the President. Furthermore, in the coming fiscal year, the budget presented to us, were it not for the Vietnam expenditures, would show a surplus in the administrative budget.

I requested that our staff people go through the budget to determine wherein increases were occurring over the January 1965 estimate in the budget for fiscal 1966. I have before me, Mr. Chairman, a table which I will insert in the RECORD setting forth the source of these increases. In addition I have a table showing for 1967 the extent to which the deficit is attributable to the increases arising from the conflict in Vietnam:

TABLE 1.—Fiscal 1966 expenditures

[In millions]

1966 budget in January 1965----- \$99,687

Major increases, not including Vietnam:

Commodity Credit Corporation (\$3,680 to \$4,142)—mainly feed grains and cotton production increases and advance payments offset by lower level of outstanding certificates at end of 1965 that had to be repurchased----- 462

Military pay increases—Larger increases and earlier effective date than had been proposed by the President----- 743

Interest on the Public Debt (\$11,500 to \$12,000)----- 500

NASA (\$5,100 to \$5,600)—Accelerated deliveries by contractors-- 500

Veterans' benefits—Primarily effect of new laws increasing compensation, pensions, and death benefits over amounts recommended by the President, with some overrun in caseload estimates as well----- 288

Post Office (\$714 to \$878)—Resulting from 5-day work week for postmasters and increased volume of mail----- 164

Subtotal, major increases, not including Vietnam----- 2,657

Major decreases:

HEW (\$7,776 to \$7,662)—Mainly in education (slower start than budgeted) offset by congressional increases in NIH, social security, etc. The education reduction is mainly in the new program for elementary and secondary school assistance which is off to a slower start than has been anticipated----- 114

TABLE 1.—Fiscal 1966 expenditures—Con.

[In millions]

Major decreases—Continued

AEC (\$2,530 to \$2,390)—Due to congressional reductions, construction delays, program slippages, cost reductions, etc----- \$140

Allowances for contingencies and Appalachia (estimated last January in lump sum and now distributed among the component elements)----- 432

Subtotal, major decreases----- -686

All other changes, net (\$1,971 + \$31) - 2,002

Subtotal, 1966 expenditures not including Vietnam increases----- 101,689

Increases, Vietnam----- 4,739

Total, administrative budget expenditures fiscal 1966 in 1967 budget----- 106,428

TABLE 2.—Comparison of administrative budget receipts and expenditures in fiscal 1967 with and without H.R. 12752 and with and without Vietnam expenditures

Billions

Administrative budget expenditures:

Total----- \$112.8

Without Vietnam (—\$10.5 billion) - 102.3

Administrative budget revenues:

Total----- 111.0

Without H.R. 12752 (+\$4.8)----- 106.2

Administrative budget deficit (—) or surplus (+):

Deficit (including special Vietnam costs and H.R. 12752)----- -1.8

Deficit without H.R. 12752 (with special Vietnam costs)----- -6.7

Deficit without special Vietnam costs or H.R. 12752----- +3.9

The growth in Federal revenue attributable solely to the growth of the economy would have reduced the deficit for the current fiscal year from the \$5.2 billion estimated in January 1965 to \$2.9 billion, were it not for the unanticipated increases in expenditures for Vietnam of \$4.7 billion. The continuing growth of the economy—growth due largely to the tax reductions enacted in recent years—is expected to produce a further increase in revenues of \$7.5 billion in the upcoming fiscal year. Since the increase in expenditures unrelated to Vietnam amounts to only \$0.6 billion, this revenue increase would have been sufficient to provide a substantial surplus in the Federal accounts in fiscal 1967, were it not again for Vietnam. Even with these Vietnam costs, however, the year-to-year increase in revenues—due to growth—exceeds the \$6.4 billion increase in proposed expenditures, so the budget deficit would be narrowed even in the absence of this bill.

The Members will recall that prior to the enactment of the Revenue Act of 1964, former Secretary of the Treasury Douglas Dillon stated that despite the \$11.5 billion tax reduction provided in that legislation, he felt it would be possible to balance the budget in the fiscal year 1967. This goal would have been achieved in the coming fiscal year if we were not faced with the extraordinary developments in Vietnam, developments which could not be anticipated when the Revenue Act of 1964 was under consideration by the Congress.

I believe that it is clear that it is the Vietnam, and only the Vietnam, operation which makes this bill necessary.

H.R. 12752 WILL IMPROVE THE 1966 AND 1967 BUDGETS

The second observation I would like to make concerns the improvement this bill will bring about in the budgetary outlook for both the fiscal year 1966 and the fiscal year 1967.

Its provisions will increase revenues in the current fiscal year by an estimated \$1.2 billion on an administrative budget basis. They will increase fiscal 1967 revenues by \$4.8 billion over the revenue that would be generated under existing tax rates.

As a result, the administrative budget deficit for the fiscal year 1966 will be reduced from \$7.6 to \$6.4 billion and will fall sharply to \$1.8 billion in the fiscal year 1967. Without the bill, the administrative budget deficit in the coming fiscal year would be \$6.7 billion, \$0.9 billion less than the 1966 deficit, but still too far from balance.

The revenue effects of the bill will be even more significant in their impact on the consolidated cash budget which is useful in understanding the economic impact of the budget. The deficit anticipated in this budget in the fiscal year 1966 will be reduced from \$8.1 to \$6.9 billion by this bill. In the fiscal year 1967, it is expected this deficit will be eliminated and a small surplus achieved as a consequence of the approximate \$5 billion added to cash receipts by this bill.

The bill will produce the significant revenues I have outlined without increasing income tax liabilities and without raising the two excise tax rates above 1965 levels. The various changes in collection procedures will speed up the collection of liabilities. This change in the timing of tax collections will result in the collection of some revenues in fiscal 1966 that would not otherwise be collected until fiscal 1967. It will also result in the collection in fiscal 1967 of even larger amounts that would not otherwise be collected until 1968 and later fiscal years. The moratorium on the two excise tax rate reductions will not increase rates above their 1965 levels but will merely freeze them at these levels for 2 additional years.

The revenue impact of this bill is temporary in the sense that the new collection procedures will not increase revenues once the transition to the new payments basis has been completed. Furthermore, the moratorium on excise tax rate reduction is set to expire on April 1, 1968.

The figures I have presented to you are based on expenditure estimates appearing in the President's budget document. We all know the uncertainty which surrounds these expenditure figures. I know that many of you hope to see some of these expenditures reduced and I hope we can. There is nothing on the domestic scene I would like to see better, for example, than to eliminate entirely the 1967 deficit of \$1.8 billion.

On the other hand we also know the uncertainty of the expenditures for Vietnam. We all hope that they do not have to be substantially increased but we cer-

tainly are not sure that this may not occur.

While recognizing the uncertainties in our present expenditure situation we concluded the only responsible position we could take at this time was to take the expenditure totals as they appear in the budget and base the current revenue program on them. I know of no other basis for determining revenue needs under present conditions.

Let me tell you about this, my friends. We do not know whether this is the only request that this Congress may be considering in the field of taxes. That will depend upon what we do with domestic spending. That will depend upon what happens in Vietnam.

But, Mr. Chairman, we cannot let our management of fiscal affairs be such as to jeopardize our stability here in the United States, and if subsequently it takes further action in this field, I believe that the membership of this great body will not shirk its responsibility. But let us now look at the situation as it is before us.

A TIME FOR MODERATION

The third observation I would like to make relates this bill to our present economic position.

The expenditures of individual households and business firms will be moderated as a result of the increasing tax payments required by this bill. I purposely use the term "moderate" because that best describes the impact I believe this bill will have. This effect is entirely appropriate at this time. After 5 years of continuous expansion, the longest such period of peacetime expansion on record, little slack remains in the economy.

At the start of the expansion in 1961, nearly 7 percent of the civilian labor force was unemployed and 22 percent of manufacturing capacity was idle. Under these circumstances, the expansion could, and did, proceed with little pressure on prices. The wholesale price index remained virtually unchanged during the years 1961 to 1964 while the expansion created jobs for the unusually large number of new entrants to the labor force as well as for many of those formerly unemployed.

Now, however, for the first time in 9 years, the unemployment rate stands as low as 4 percent of the civilian labor force. Manufacturing capacity is being utilized at very nearly the rate businessmen prefer. Some pressure on prices is already evident as a result. After 4 years of stability, the index of wholesale prices increased by 2 percent in 1965. The percentage increase in the consumer price index was 1.7 percent as compared to an average increase during the years 1960 to 1964 of 1.2 percent a year. Furthermore, but for the effect of excise tax reductions enacted in 1965, the increase would have been 1.9 or 2 percent.

If further expansion continues at too rapid a pace, bottlenecks will develop in areas where manpower with the required skills is scarce and severe pressures will be placed on the industries which produce machinery and other capital goods. In the past, similar developments have served as a breeding ground for inflation-

ary price increases. The needs of Vietnam, coming at a time of prosperity, could force too vigorous an expansion if they are not financed through added revenues.

At the same time I do not believe we should choke off our economic growth with measures that are too severely restrictive. We still continue to need a moderate expansion in investment and in incomes to provide for our capital needs and for our raising labor force. We will also need the revenue growth these factors will bring.

The provisions of this bill will help to moderate demands on available capacity. The most important provision from the standpoint of tax collection is the one requiring the further acceleration of corporate estimated tax payments in excess of \$100,000. While many of the 16,000 large corporations affected set aside funds to meet tax liabilities as those liabilities accrue, some corporations will postpone planned investment outlays as a result of the bill. Such postponement will be favorable to continued economic stability, since business expenditures for new plant and equipment capacity are currently at very high levels. After increasing at an annual average rate of 7.5 percent a year in 1962 and 1963, business-fixed investment expenditures increased by 11.5 percent in 1964 and by 15.4 percent in 1965. Announced plans for the first half of this year indicate that investment spending will again rise substantially. A postponement of some planned investment by business firms, therefore, may well promote better balance between investment in new capacity and the rate of growth in demand for the products for such capacity.

The revised method of withholding will moderate consumer expenditures. Following the enactment of this bill the amount of tax withheld from wages and salaries will be increased by about \$100 million a month, or by \$1.2 billion a year at annual rates. These additional amounts withheld will be offset as far as individual taxpayers are concerned by lower tax payments in the spring of 1967 or by higher refunds. Nevertheless, they will reduce disposable incomes, and, therefore, consumer spending, during the rest of 1966 and the early part of 1967.

The bill will also make an important contribution to the effort to reduce the deficit in our balance of payments. If inflationary pressures are permitted to develop, U.S. exports will be placed at a competitive disadvantage in world trade and much of the substantial gain made in recent years will be lost. A source of strength in the U.S. balance-of-payments outlook for several years has been the fact that the prices of U.S. goods have remained relatively stable while the prices of goods produced by other nations have risen.

THE BILL IS FAIR

A fourth observation I would like to make concerns the broad distribution of the burden imposed by this bill. The revenues provided by this bill will be collected in a fair and equitable manner from a broad cross section of the population. The provisions which will

raise the most revenue—accelerated corporate payments—affect the Nation's largest corporations. Graduated withholding affects over 60 million of the Nation's wage earners. The self-employed, who will not be affected by graduated withholding, will be affected by the revised requirement for declarations and by provision for the quarterly payment of estimated self-employment tax. Finally, the excises on passenger automobiles and telephone service are broadly based. Restoring the rates of these taxes to December 1965 levels will not impose hardship on the companies involved or on particular consumers. A very broad group of our consumers will be affected by the moratorium on the excise reduction on the telephone tax and the tax on the purchase of new cars.

PROVISION OF THE BILL

Let me now turn to the specifics provisions of the bill. The six provisions of H.R. 12752 are grouped under two titles. The first of these titles embraces the provisions which adjust tax collection procedures. The second superimposes a moratorium on rate reductions scheduled under present law with regard to the excises on passenger automobiles and general and long distance telephone services and teletypewriter service.

Three of the four provisions regarding tax collection procedures are measures which will bring about desirable adjustments and should be approved on their own merits. The fact that they involve a change in the timing of tax collections which will provide a temporary increase in tax receipts merely enhances their importance under present circumstances. The remaining provisions, that is, the acceleration of corporate tax payments and the excise tax moratorium, are proposed solely on the basis that they will provide needed revenues.

DIFFERENCES FROM PRESIDENT'S PROGRAM

The provisions differ in three important respects from the recommendations of the President. In the first place, your committee's bill merely imposes a 2-year moratorium on the excise tax rate reductions scheduled under present law in the case of the tax on passenger automobiles and the tax on telephone service. When the moratorium expires on March 31, 1968, the rates of these excises will fall to the levels scheduled for those years under the Excise Tax Reduction Act of 1965. This treatment stands in sharp contrast to the administration's proposal. The latter would have delayed the entire schedule of reductions until 1968. That is, it would not have returned the rates to the level scheduled for 1968 under present law but would have provided only the reductions scheduled under present law for 1966. Thereafter, further reductions would follow the schedule set down in the Excise Tax Reduction Act at the intervals specified. Thus, under your committee's bill the automobile excise will reach the permanent level of 1 percent and the telephone excise will be repealed beginning in 1969. Under the administration proposal this position would not have been reached until 1971.

The second major differences between your committee's bill and the President's

recommendations concerns graduated withholding. The administration proposal made no provision for persons with large amounts of itemized deductions. Thus, while it would have reduced underwithholding substantially, it would also have increased overwithholding, particularly for families with incomes of \$5,000 to \$10,000. Your committee felt the latter result was inconsistent with the objective of greater accuracy sought through graduated withholding and that it might impose a hardship on a number of families of average or below-average means. Therefore, your committee has approved a provision, which I will describe in more detail shortly, which permits individuals with large itemized deductions to adjust their withholding to reflect this fact.

The third major difference between the bill and the President's program is in the area of declarations of estimated tax. The President proposed no change here while the bill tightens up on the filing requirements by moving the minimum requirement for current payment from 70 percent to 80 percent of tax liabilities.

GRADUATED WITHHOLDING

The first provision in this bill relates to graduated withholding.

The bill replaces the present flat 14-percent rate withholding system with a more accurate system which will align tax withholding more closely to the final tax liability for the majority of wage earners. The present withholding system takes only three determinants of tax liability into account: the number of exemptions, a 10-percent allowance for deductions based on the standard deduction, and the average of the tax rates in the first four taxable income brackets. It does not take into account the graduated tax rates which apply when taxable incomes exceed \$2,000 for single persons and \$4,000 for married couples. Nor does it take account of the minimum standard deduction, itemized deductions, or marital status. Because these widely used features are not taken into account, the amount withheld often differs widely from the taxpayer's final liability.

The Treasury estimates that 63.1 million returns will be filed for the year 1966, including both taxable and non-taxable returns, which will indicate that tax was withheld but that no payments were made on declarations. On only 10.8 million of these returns would the tax withheld come to within \$10 of the final liability if the present system is continued. On 39.8 million returns—20 million of them with incomes of \$5,000 or less—overwithholding would be shown; that is, the amounts withheld from wages during the year would exceed tax liability. On 12.5 million other returns underwithholding would be shown; that is, not enough tax would be withheld to meet the full liability.

When a taxpayer is underwithheld, he must pay the balance of his liability at the time he files his final return for the tax year. If this balance due amount is unexpected or large, as it was for many taxpayers in the spring of 1965, it may cause the taxpayer financial hardship. When the taxpayer is overwithheld, he

must file a return at the close of the tax year to obtain a refund. The procedure forces him to apply for, and wait to receive from the Government, a portion of his wages. This can be a hardship, particularly when the excess withholding is large relative to income.

Your committee's bill substitutes six graduated withholding rates which range from 14 to 30 percent for the present single rate of 14 percent. These rates reflect, in full, the tax rates which apply to the first \$12,000 of a single person's taxable income and the first \$24,000 of a married couple's taxable income. These rates are included in two separate schedules and two sets of withholding tables, one for single persons and heads of households, and the other—with wider brackets to take account of the split-income provisions—for married persons and surviving spouses.

The structure of the withholding rates and brackets incorporates a 10 percent allowance for deductions and the minimum standard deduction. The latter is reflected by increasing the amount of a withholding exemption to \$700 and by providing that the first \$200 of annualized wages is to be exempt from withholding. The minimum standard deduction, members will recall, is equivalent to a basic \$200 amount for married couples, heads of households, and single persons plus \$100 for each exemption.

The graduated rates will apply to wages paid on or after May 1 of this year. Married persons will be required to file new withholding exemption certificates between the time the bill is enacted and May 1 if they want to be withheld on under the schedule applicable to married persons. Many wage earners, both married and single, will want to file new certificates in any case, however, since those who now deliberately understate their exemptions for withholding purposes will probably want to claim all their exemptions. Under the bill, voluntary adjustments to increase withholding will not be necessary in most cases.

Beginning in 1967, wage earners with large itemized deductions relative to their income will be able to adjust their withholding by claiming special withholding allowances which will be treated like exemptions for withholding purposes. The allowances will be optional. They will be given with respect to estimated itemized deductions in excess of 12 or 15 percent of estimated wage income depending on the amount of this wage income. One withholding allowance—over and above the exemptions for dependents, and so forth—will be given with respect to each full \$700 of excess itemized deductions, with the exception that one withholding allowance can be claimed if excess itemized deductions exceed \$350 but are less than \$700. As a safeguard, estimated itemized deductions for this purpose cannot exceed the amount listed on the tax return for the previous year and estimated wages cannot be less than the wages received in the preceding year. It is expected that the computations indicated here will not actually have to be made by taxpayers but that they will be able to determine the number of withholding allowances from a simple table.

If the more accurate withholding procedure provided in this bill applied throughout 1966, approximately twice as many tax returns would show tax withheld that came within \$10 of the liability. Moreover, the amount of overwithholding would be reduced by more than \$650 million while the amount of underwithholding would be reduced by roughly \$1 billion.

ESTIMATED SELF-EMPLOYMENT TAX

The second provision in the bill requires self-employment social security taxes to be paid on declarations of estimated tax.

Wage and salary earners covered by the social security system have their annual social security tax withheld from their wages according to the rate specified. This is not true, however, for self-employed persons. Presently they are not required to pay their tax during the current year, but instead can wait until the following spring.

This bill places self-employed persons on the same current-payment basis with respect to their social security tax liability which employees already are on. It does so by requiring them to pay quarterly payments of estimated self-employment tax beginning in the year 1967.

These quarterly payments will be correlated with the quarterly payments of income tax self-employed persons currently are required to make. The rules presently applicable to the declaration and quarterly payment of estimated income tax will, beginning in 1967, simply apply to the total of the estimated income tax and the estimated self-employment social security tax.

UNDERPAYMENTS OF INSTALLMENTS OF ESTIMATED TAX

The third provision in the bill relates to the provisions for filing declarations of estimated tax.

Prior to 1954, taxpayers who failed to pay at least 80 percent of their final liability currently, either through withholding, quarterly payments, or both, unless certain exceptions applied, were subject to a penalty equal to 6 percent interest calculated on the difference between the amount paid currently and 80 percent of the liability. In 1954, the percentage limit for defining underpayments of installments of estimated income tax was reduced from 80 to 70 percent. Your committee's bill restores the percentage to 80 percent. It also makes a comparable increase in the percentage applying where a taxpayer for one or more quarters computes his estimated tax by annualizing his income received to date.

This action is consistent with the other adjustments in collection procedures contained in this bill. Except for the one change I have already noted, it does not change the special provisions which excuse persons who underpay their installments from penalty if they meet one of several alternative tests. This provision will apply for 1967 and later years.

ACCELERATION OF CORPORATE TAX PAYMENTS

The fourth provision in the bill relates to the acceleration of corporate income tax payments.

Corporations with an estimated tax liability in excess of \$100,000 presently

are required to pay a part of their estimated liability in excess of \$100,000 during the current taxable year. The portion to be paid currently is being increased from year to year in accordance with a schedule set down in the Revenue Act of 1964. Under this schedule, corporations will be fully current with respect to the estimated tax in excess of \$100,000 by 1970. Your committee's bill simply accelerates the transition to full current payment so that it will be completed in 1967 rather than 3 years later.

Under the present schedule, corporations using a calendar year accounting period would file their initial declaration and pay 9 percent of their estimated 1966 liability in excess of \$100,000 on April 15 of this year. On June 15 they would pay an additional 9 percent of the estimated liability and on September 15 and December 15 they would pay installments of 25 percent on each date. Under the bill, the payments due in April and June, 1966, will be increased to 12 percent of the estimated liability and the amounts due in April and June 1967 will be increased from 14 to 25 percent of the estimated liability.

THE EXCISE TAXES ON PASSENGER AUTOMOBILES AND TELEPHONE AND TELETYPEWRITER SERVICE

The fifth and sixth provisions in the bill relate to the manufacturers' excise tax on passenger cars and the tax on communication services.

Congress provided for the outright repeal or eventual repeal of almost all of the then-existing excise taxes in the Excise Tax Reduction Act of 1965 except the sumptuary taxes on alcohol and tobacco.

Of the many taxes affected only three were not scheduled for outright repeal during 1965 or on January 1, 1966. One was the stamp tax on transfers of real property whose repeal was scheduled for 1969 to accommodate State and local government property tax collection procedures. The other two were the excise tax on passenger automobiles and the excise tax on telephone and teletypewriter service.

The tax on passenger automobiles was reduced from 10 to 7 percent upon enactment of the bill and to 6 percent on January 1, 1966. The tax on telephone service was reduced from 10 percent to 3 percent on January 1, 1966. Further reductions were scheduled which would have repealed the telephone tax by 1969 and reduced the automobile excise to a permanent level of 1 percent in the same year.

Your committee's bill provides a moratorium on the rate reductions scheduled for these two excises but only for a 2-year period. The rates will be held at 7 percent for automobiles and 10 percent for telephone service until April 1, 1968, when they will be reduced 2 percent and 1 percent, respectively. These are the rates scheduled for that time under present law.

I realize that a number of Members are asking why did we select these two excise taxes for temporary retention rather than others. This was a decision that none of us wanted to make because as we indicated in our report on the Ex-

cise Tax Reduction Act of 1965, we do not believe that selective excises represent a good tax source.

However, faced with the revenue requirements that we were, I believe we had valid reasons for making the selections we did.

First. These are the two largest single revenue producers. For example, all four of the former retail taxes put together yielded only slightly more than the extra revenue we are obtaining from the automobile tax in 1967 and considerably less than the additional revenue we are obtaining from the telephone tax in 1967. Thus we would be faced with the problem of selecting a combination of a large number of other taxes if we did not rely on these two.

Second. It is also evident that Congress considered the outright repeal of these two taxes was less urgent than in the case of the numerous other excises which it did repeal outright by or before January 1, 1966.

Third. It is a much simpler matter administratively, for both business firms and the Government, to increase a tax on a commodity or service for which the payment and collection machinery is still in effect than it is to reinstitute a tax previously repealed.

Fourth. These two excises affect a broad cross section of the population. Thus their burden is borne more generally than is true of most of the other excises.

The 10-percent rate on telephone service will go into effect with respect to bills which are rendered after the first day of the first month which begins 15 days or more after the date of enactment. The excise tax on automobiles will be restored to 7 percent on the day after the day this bill is enacted. On the same day the 7-percent rate becomes effective, dealers will be liable for a tax on the cars they have in inventory equal to 1 percent of the manufacturer's price of these cars. The tax will be collected from dealers by manufacturers.

CONCLUSION

In concluding I would like to say that in my opinion you should vote for this bill—

If you are interested in seeing that we pay for our operations in Vietnam on a current basis;

If you are interested in bringing our budget as nearly into balance as possible; and

If you are interested in preventing the development of serious inflationary pressures.

I have no doubt that this measure is needed now and I urge you to vote favorably on it.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Iowa.

Mr. GROSS. When the tax reduction bill was enacted in 1964, the gentleman from Arkansas [Mr. MILLS] very properly warned the House that it could not travel two roads.

Mr. MILLS. That is right. I am warning again.

Mr. GROSS. And you are doing the same again.

Mr. MILLS. Right.

Mr. GROSS. But the warning did not seem to take effect.

Mr. MILLS. Let us go back to that, if the gentleman will bear with me just a minute. Actually, if you analyze the budget and extract from the budget these extra Vietnam costs that we are adding in 1966 and in 1967, as set forth in the budget, whether they are right or wrong, and take them out of the bill—

Mr. GROSS. And they are not all war costs.

Mr. MILLS. No, not all of the increases are Vietnam expenses but if we take these alone out of the spending, and look to our budget receipts for 1967—in spite of any other increases which have occurred—there would be enough revenue without this bill to have a balanced budget on the basis of the budget projection for fiscal year 1967.

Therefore, I have stated, and I state it again, that it is the extraordinary expenses attributable to our operation in Vietnam that are responsible for the Ways and Means Committee reporting this bill.

Mr. GROSS. I wish I could agree with the gentleman, but I am afraid that it goes beyond that, far beyond Vietnam.

Mr. MILLS. My friend is a good mathematician. Just take the budget. If you will look at the table I inserted in the Record in my remarks you will see the figures that enabled me to reach that conclusion.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MILLS. Mr. Chairman, I yield myself 6 additional minutes.

Mr. GROSS. Mr. Chairman, will the gentleman yield just briefly?

Mr. MILLS. I yield further to the gentleman.

Mr. GROSS. The gentleman mentioned withholding. If my memory serves me correctly, the warning was out when the tax bill was passed in the House that it would result in exactly what it did in 1965, but by virtue of a closed rule nothing could be done about it at that time.

Mr. MILLS. No. It is my recollection as the bill passed the House in 1963 we had a 15-percent withholding rate in effect for 1964 which was the correct rate for that entire year, on the basis of the tax rates applicable in that year. The Senate, however, did not complete action on the bill in 1963—and it became known as the Revenue Act of 1964 because they passed it sometime in February 1964. Anyway, there was an argument at the time as to whether we should apply the 15-percent rate of withholding or the 14-percent rate of withholding which was the appropriate withholding rate for the rates applicable in 1965. The decision was reached to apply the 14-percent rate in 1964 since 2 months had gone by. This was not high enough but 15 percent probably would have been too high.

Mr. GROSS. I will leave it to the memory of the other Members.

Mr. MILLS. I agree with the gentleman that it would have been well to have had graduated withholding at that time.

Mr. GROSS. But we were locked up then, as we are again today.

Mr. MILLS. This did not arise in our initial consideration but in the conference.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I will be glad to yield to the gentleman from Illinois.

Mr. ARENDS. The gentleman from Arkansas almost got to the point where he was looking into a crystal ball as to what we might expect in the future as to any tax bill. From the testimony before your committee, would you care to project what you think might happen with respect to a meaningful tax bill in this session of Congress or shortly thereafter, as to what we might expect as we look down the road?

Mr. MILLS. Let me say to my good friend from Illinois that I do not have a crystal ball in the first instance. Fortunately, I do not think one has to have a crystal ball in order to answer your question.

I believe commonsense requires of us to exercise great restraint at this particular time. The important thing to me, in times such as this, is to try to get the economy and the budget as nearly into balance, if it is possible to do. While, of course, I would not want now to bring to the floor of the House a bill providing for a general increase in taxes, I think it is premature to reach a decision on that matter now. First, I want to find out what a majority of this Congress wants to spend in fiscal 1967—not what the administration wants to spend but what the Congress wants to spend. Then we must find out what the actual Vietnam expenses will be.

Mr. ARENDS. I may say to the gentleman that is exactly what is worrying me. Is there any evidence of restraint in this House? We have had only a few small noticeable opportunities to reduce expenditures of the Government during this session and immediately we failed to take any action that would indicate the Congress would move toward less spending. That is what worries me. There is not, in my humble opinion, any restraint being shown toward reducing expenditures. Unless we do stop spending, we will have additional tax raising bills before us.

Mr. MILLS. The gentleman from Illinois and the gentleman from Arkansas are not talking about any broad attempts to reduce spending. However, whenever we know unexpected emergencies may arise, then we have to take notice of this possibility. If we can hold down other areas to accommodate the unexpected, we may be able to live within the revenues we have, but if we do not succeed in doing it and we want taxation to be used in the way to more nearly bring about a balance in the budget and the economy, then obviously we would have to make some further effort and search for additional revenues. But I am not prepared to go into that until after I have found out what the Congress itself will do with respect to spending.

Mr. RUMSFELD. Mr. Chairman, will the gentleman yield?

Mr. MILLS. Yes. I yield to the gentleman.

Mr. RUMSFELD. Mr. Chairman, I

have a great deal of respect for the gentleman from Arkansas and for the distinguished committee that he chairs, but could the gentleman explain to me why when the committee is bringing to the floor of the House a bill to reduce taxes they call it the excise tax cuts or income tax reductions but when you are bringing a bill to the floor which does in effect increase taxes, instead of calling it a tax increase, you call it a Tax Adjustment Act of 1966?

Mr. MILLS. I hope the wording did not mislead my friend. Most of this bill raises revenue by adjusting collection procedures. This part does not raise tax rates but there is no doubt that we are going to collect more from the American people in fiscal year 1967. Actually when we refer to revenue acts in the normal nature of things we refer to tax rate increases, such as where we raise a bracket rate from 14 to 15 percent, and so on.

Mr. RUMSFELD. If the gentleman will yield further, that is an increase.

Mr. MILLS. We are not increasing the tax of anyone over what the individual had to pay in calendar year 1965.

Mr. RUMSFELD. But this is calendar year 1966.

Mr. MILLS. That is right, but this year has just begun and not much in taxes has been paid by most people.

Mr. RUMSFELD. And is not true that the automobile taxes of the individual will be increased?

Mr. MILLS. Well, now, let me tell you about the automobile tax. The rate went from 7 to 6 percent on January 1, 1966.

Mr. RUMSFELD. I am asking the gentleman from Arkansas if this is not true, that this is calendar year 1966?

Mr. MILLS. I will not argue on that point.

Mr. RUMSFELD. And that there are some taxes that are going up and up, which means an increase?

Mr. MILLS. Oh, yes; the auto tax will go up 1 percent from what it was on January 1, 1966. The telephone tax also will go up from what it was on January 1, 1966. I believe I explained that.

Mr. RUMSFELD. All right.

Mr. MILLS. But they are not up over what they were in 1965.

Mr. RUMSFELD. Mr. Chairman, if the gentleman will yield further, my concern is that the people are going to have to make some decision in November, and I hate to have them be confused by words. It seems to me that this does represent a tax increase.

Mr. MILLS. The restoration of the pre-January 1, 1966, excise rates is a minor point in this bill. The adjustment in collections is the main thing and not to take this into account in the title of this bill would be misleading. If the gentleman from Illinois can give me complete assurance that when we reduced the automobile tax on January 1 from 7 percent to 6 percent, that it was reflected in a reduction in sales price, then I can answer the gentleman's question as to whether the tax is going to have any effect when it goes back up 1 point.

Mr. RUMSFELD. Well, I certainly cannot give the gentleman any figures on that.

Mr. MILLS. Of course not, and I do not believe anyone else can.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Iowa.

Mr. GROSS. The Department of Commerce does not seem to want to discuss this angle of the situation. Now, if Congress sees fit to increase the excise taxes on automobiles, does the gentleman have any information as to whether this money will be earmarked for Mrs. Johnson's highway beautification program?

Mr. MILLS. It would take subsequent action by the Congress to accomplish any such result. There is nothing contained in this bill that would do it.

Mr. GROSS. If the gentleman will yield further, it would take subsequent action and it could not be earmarked?

Mr. MILLS. That is right.

Mr. Chairman, I thank the membership for having listened to me, and I hope they will follow the committee's lead in voting for the bill.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. CURTIS].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. CURTIS. Mr. Chairman, the gentleman from Arkansas, our able chairman, has put this debate in the proper context.

This is an issue that involves the fundamental fiscal policy of our country, and it represents the first opportunity that this House has had this year at any rate, to zero in on these questions.

Mr. Chairman, Congress indeed has the burden and the basic responsibility for making fiscal policy. I believe it is well that we understand what we are doing.

First, I would like to correct something that I believe might have created a misapprehension, when the chairman said that the corporate speedup was essentially a revenue measure. I believe that this is accelerating a reform that the committee has long been confronted with. It is an acceleration, all right, but I would like to regard it more as a reform.

Mr. MILLS. Mr. Chairman, will the gentleman yield at that point?

Mr. CURTIS. I yield to the gentleman from Arkansas.

Mr. MILLS. I certainly agree with my friend, the gentleman from Missouri [Mr. CURTIS]. It is fortunate that it comes at a time when it produces \$3.3 billion in revenue.

Mr. CURTIS. I feel that it is a fortunate time, and I would refer all members of the Committee of the Whole House on the State of the Union to the table which appears on page 4 of the committee report which shows the breakdown of these revenue measures.

Actually, there is only \$60 million additional revenue from tax increases for fiscal 1966, and only about \$1.2 billion in fiscal 1967. The balance as provided for in the bill, or some \$1.2 billion for fiscal 1966 and \$4.8 billion for fiscal 1967, represent one-shot operations which are in

the nature of reform in accelerated payment of taxes and are not tax increases.

Mr. Chairman, President Johnson in his economic report to the Congress on February 16, on page 29, makes this remark:

Perhaps our most serious economic challenge in 1966 will be to preserve the essential stability of costs and prices which has contributed so significantly to our balance progress.

Mr. Chairman, I, of course, would emphasize this, but I would also emphasize his choice of words where he says "perhaps."

Apparently President Johnson and this administration are still not convinced that this is an actuality, in spite of the fact that the consumer price index has gone up 2.2 points from December to December, and the wholesale price index, from December to December, has gone up 3.4 points. In the month of January alone, for which we just now have the figures, it has gone up an additional 0.5 point, which represents an annual rate of a 6-point increase in the wholesale price index.

Mr. Chairman, frankly, this bill now pending before us represents taking a tack hammer to hit at a major fiscal problem, and let us not kid ourselves about it. The President has not addressed himself in his budget message to this Congress, or at this session, to the fundamental problems that this country faces as a result of the expenditure policies of this administration.

And I emphasize, it is expenditure policies—which is a part of fiscal policy. I think it is about time that this administration woke up to the facts of life and looked at the economic indicators. This administration defended itself through its spokesmen, the Secretary of the Treasury, the Director of the Bureau of the Budget and others before the Joint Economic Committee in regard to these economic indicators. They said to me, "Well, Congressman, after all most of this consumer price index has been in the agricultural area. It is not a general thing. This is an agricultural cyclical problem."

I said, "How do you figure?" They said, "Well, look at the industrial price index—it has held steady."

And, indeed, it had. But this is the very area I pointed out where the administration sought to impose, and I say illegally, its wage price guidelines in aluminum, copper and steel. The President's Council of Economic Advisers said to me—and this is all a matter of public record—"Well, why do you talk about those three—they have been publicized. There are all sorts of other instances where we moved in which were not publicized." I said, "Well, I am interested in that."

But let us get to the key point. What would have happened to the industrial price index if wage price guidelines and these strong arm techniques had not been employed? Where would the consumer price index be? As I said to the Secretary of the Treasury, "What forces were you resisting that brought you to use these pressures to hold to the wage price

guidelines? Were these not inflationary forces?" I think it is clear that this is what the picture is.

We are in a serious situation. People for years have asked me—What is the matter with deficit financing? I have sought to reply that it creates such problems as we are now seeking to grapple with. Now one of the great achievements of the Eisenhower administration—and it was a difficult matter to achieve—was to break the inflationary psychology that had gripped this country after World War II. It is not easy to break that psychology once it takes hold and it creates an inflation that feeds on itself. Purchasing agents of the various corporations, of course, try to build up inventories if they are anticipating inflation that will create price increases in the future. All sorts of economic maladjustments occur when business decisions are made on the basis of anticipating inflation.

As a result of policies carefully followed and sometimes not so carefully, some of it was luck—but as a result of policies followed in the late fifties, this psychology of inflation was broken and the Kennedy administration retained or gained the benefits to a large degree. With propriety, the Kennedy administration and, at the beginning, the Johnson administration talked about how they were able to hold the wholesale price index and consumer price index. Indeed, we had a great record of price stability. This must be the context in which we view this recent increase of 3.4 points in the wholesale price index, in context of no increase for the past 6 or 7 years. But what happens when the inflationary psychology begins to build up again? Then we have this feeding on itself and it is hard to reverse. This is some of the damage being created by the Johnson administration temporizing with this very serious problem.

I would like to direct attention to another quotation from the President's economic report of 1966. The first quotation was on page 20 in respect to inflation. On page 151, where the President is talking, or rather his Council of Economic Advisers are talking, about the deficit in our international balance of payments. Note this well:

Nevertheless if a deficit continues too long or becomes too large, the strength of the country's currency can be impaired. There is in fact an absolute limit of any country's ability to continue in deficit. Eventually it must run out of reserves as well as borrowing capacity.

The question is, Has not the United States reached this point? On page 163 of this same report we find a startling figure which is not mentioned let alone pointed up in the President's messages or in the statements of the Secretary of the Treasury about our international balance of payments: net sales of U.S. gold jumped from \$0.1 billion in 1964 to nearly \$1.7 billion in 1965—the greatest sale of gold going out from the United States in 1 year since back when the gold rush began in 1958.

This administration just mentions this. It does not dwell on it. It does not relate it to these serious fiscal problems.

As Chairman MILLS pointed out, this problem of inflation bears directly on our international balance of payments. One of our great assets in the international balance of payments is our plus in trade, our exports over our imports. Inflation hurts exports and increases imports.

This administration in its economic messages last year was talking about how it was counting on increasing our balance of trade to further lower this international deficit. And yet here is another statistic that this administration has been ignoring. Our surplus of exports over imports, instead of increasing, as the administration had planned and hoped in calendar year 1965, decreased by \$1.9 billion.

This, I might say—and this is something that this House might think about and our Committee on Ways and Means—is to some degree the result of the very short-sighted policy, I would argue, of the interest equalization tax, which seeks to put a curb on the amount of private investment that may go abroad. There is no question that exports depend upon capital investment abroad, and when we curtail our investment we are bound to be cutting in at the base of the increase of our exports.

The Secretary of the Treasury has reiterated before our committee that it is true that the interest equalization tax, if imposed at any length, is damaging to the United States. The administration recognizes it must be only temporary and each month it continues it creates damage, and yet here we are moving into the third year. Each year that this is on it creates this further kind of damage.

So here we are with a choice before us, because we are not meeting the basic problem, restraining expenditures. I agree with the gentleman from Arkansas, Chairman MILLS, that when we are confronted with Hobson's choice, inasmuch as expenditures are not being curtailed, there are only two basic ways—there are some others that I want to mention, too—but only two basic ways in which we can finance this increased expenditure: One is through increasing taxes; the other is increasing debt. What is the choice? We reduced excise taxes and corporate and individual income tax rates on the theory that those rates were so high they were impeding economic growth.

I am pleased that the committee report uses that very language in referring to the subject. At page 7:

The Revenue Acts of 1962 and 1964 and the Excise Tax Reduction Act of 1965 were in large part directed at the removal of restraints to growth in the private sector of the economy arising from tax rates that were too high.

They are still too high, I think most people would agree. So there is damage when we increase these rates again. Let us not kid ourselves.

But what is the alternative? What is the damage that is created if we put a further burden in the field of debt management? There is one small consolation—and it is very small—I derive from the administration's suggesting to the

Congress that we increase taxes and not increase debt further, at least to this small degree.

The administration spokesmen, the Council of Economic Advisers, are still talking in terms of the "new economics." They are still saying, "What is the matter with debt?"

Publicly they express no concern about increasing the amount of the Federal debt further, but obviously the administration, by recommending this bill, is in effect saying to the Congress, "Look, you had better create the damage in the field of taxes, by increasing these taxes, than by putting a further load on the debt."

I am so pleased that this is out in the open. At least I hope it gets out in the open, because we do have a serious problem in debt management. We have a ceiling on long-term debt of 4½ percent interest. Long-term Government securities are being sold in the marketplace at a discount today which makes the actual yield about 4.7 percent. This administration cannot market any more long-term debt under these circumstances.

We have a turnover of about \$90 billion of debt this year which we have to refinance, and much of the refinancing is in short-term Federal securities, near money. These create highly inflationary forces. This is what Chairman Martin of the Federal Reserve Board was trying to point out to the country and to the Congress—this is one reason the Federal Reserve Board took action by increasing the interest rate or discount rate, not because they wanted interest raised, but because the Federal Government had no way to market its debt in an orderly fashion. Of course, we should not put a further burden on our debt managers.

I want to point out the facts about this increased deficit which Chairman MILLS directed attention to in his presentation, and rightly so. We are in fiscal year 1966. Fiscal year 1966 does not end until July 1 of this year. The budget that was presented to us in January relates primarily to fiscal year 1967, but it also includes a major revision in fiscal 1966. The new budget does not go into effect until July 1, 1967, and the Congress has not acted upon it, but Congress has already acted in regard to the power to spend that is granted to the President for fiscal year 1966. These are the months that we are in right now. But Congress still can say something about the revised and increased expenditures levels for fiscal 1966 set out in the 1967 budget message.

The deficit which was presented to us for fiscal year 1966 a year ago January was \$3.9 billion, and the revision in the budget that was presented to us this January—not for 1967, the revision of 1966 budget—shows a deficit of \$6.9 billion.

President Johnson keeps talking about 1967, that the budget is only going to be out of balance by \$1.8 billion. What about the increase deficit from \$3.9 to \$6.9 billion? Actually, the figure should be about \$11.1 billion, because \$1.2 billion is this revenue that he hopes to get

from the bill that we have right before us. So he is compensating from anticipated action of the Congress. \$3 billion is from selling Federal assets. About \$1.7 billion is converting our silver coins to copper—seigniorage. These are one-shot propositions.

Now I am getting to another basic problem I see facing us, aside from the fiscal aspect. Our military leaders have told us this is not a short war—that is, if we intend to attain our objectives.

To come in with a fiscal program like this, relying on one-shot propositions for financing—such as sales of capital assets, acceleration of taxpayments, seigniorage, and things of that nature—is irresponsible. To finance a war that is not going to end in 1967—if we attain our objectives in this fashion is no way to get across to the people abroad, particularly to our enemies, that we do intend to stay until we get results.

I know if I am evaluating my enemy I do not listen to what he says. I look to see what he does. If I see that he is running his fiscal affairs in such a way that he is not planning on a long-range basis, but is planning on a hand-to-mouth basis, I am not so convinced he means business.

I am deeply concerned about these shortcomings that are revealed in this kind of fiscal program that this administration has presented to us.

My concluding remarks are these. There is a remedy. It lies in expenditure reform. This Congress should exercise some leadership in bringing forth some recision bills. If the Executive will not stop spending, let us start bringing in some recision bills in the areas where we think these expenditures should be curtailed.

Finally—I would say this—I honestly believe we can finance this war and have butter, too. I think we can have guns and butter, but we cannot have rancid butter, as I have described it. Many of these Federal programs we have are redundant, duplicating, unduly costly, not attaining their stated objectives.

This is particularly true in this great area of manpower training, which is one of our crucial problems. There is redundancy all over the place. There are programs interfering with each other. In another tremendous area we have redundancy, costliness, and ineffectiveness in one that bears on this problem of international balance of payments—our foreign aid programs.

If we would get around to intelligent expenditure policies and efficient administration of them I believe that we can finance our Federal programs and get the results that we are seeking. This can be a great society; or it is a great society, if we can only keep it.

We have got to start out developing recision bills. In our minority views or supplemental views, we point out—six of us—that we agree with Chairman MILLS that under these circumstances, with Hobson's choice before us, the thing to do is to put the added economic burden in the field of taxation, damaging as it may be, rather than to put it in the field

of Federal debt, which would cause greater damage.

Mr. RUMSFELD. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman.

Mr. RUMSFELD. I was pleased to hear the gentleman refer to this as a tax increase, because, as I referred to earlier in regard to the timing of the bill, the Tax Adjustment Act of 1966 distresses me, because I do not believe that it is totally accurate.

Later on in the report, it says that the tax adjustment bill is designed to contribute revenues to aid and finance the increased costs of Government associated with operations in Vietnam.

Is that a totally accurate statement, or does it in fact really only tell part of the truth? How can you earmark funds? Is it not true there are other increases it will finance?

Mr. CURTIS. It is only partly true. Chairman MILLS presented statistics that developed this point. About \$2 billion of this is for the so-called Great Society programs and only a part of it is for Vietnam.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. Yes. I yield to the gentleman from Iowa.

Mr. GROSS. Does anyone have the slightest idea of how many commitments have been made around the world by some of our galloping emissaries?

Mr. CURTIS. You mean the Vice President, for example?

Mr. GROSS. You can use him as an example.

Mr. CURTIS. We have no idea, but we will probably find out someday when maybe someone in the House will rise to say, "Well, are we not going to stand behind our executives?" That will be another question.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. UTT].

Mr. UTT. Mr. Chairman, I take this time simply to call the attention of the House to the fact that there are some minority views, dissenting views, on this bill. As usual, they appear in the classified section. Maybe you have not gotten that far, but I would suggest they be read because they do give some very potent arguments against the bill.

I take this time also to advise the House that I will offer a motion to recommit this bill with instructions to the committee in order to eliminate title II, which are the excise taxes that we are restoring in the bill. This will not be a straight motion to recommit. I am unhappy that at this time again our committee brings legislation to the floor in a package form covering two or three different subjects, many of which I am oftentimes in support and maybe one of which I am against, so I never have an opportunity to vote my position on the various parts of these bills.

My motion to recommit will divide this legislation into the parts which I happen to favor, which are outlined by the gentleman from Arkansas, Chairman MILLS, and give me and the Members of the House an opportunity to vote

against the excise tax increase on automobiles and telephones. I am opposed to the excise tax increase for two reasons: At the time we voted this reduction into effect a year ago we were facing a smaller deficit in fiscal 1966 than we are now facing for fiscal 1967. Certainly if, when we were facing that great deficit a year ago, we could repeal the excise taxes, then certainly today, facing a very small deficit as forecast by the President of \$1.8 billion, we have no excuse for replacing those taxes except to condition the American public for a substantial increase in income taxes both corporate and personal. In the last 2 years our excesses of spending outside of Vietnam have gone mainly into what they call the Great Society, which is not in my estimation a free society. It is an enforced welfare state which has failed in every country which adopted it. Besides that, there has not been one welfare program or one program initiated by the Federal Government that will create in the American people the one thing that is necessary to make a great and free society. This one thing is motivation. You cannot legislate motivation. The more money we give to people not to do something the less they do and the less creative they will be and the less contribution they are going to make to the Great Society of America. So I think it is well to understand that our welfare costs have doubled, from \$6 billion in 1964 to over \$12 billion by 1967. Instead of bringing more prosperity, this is going to bring more indolence and we are going to take from the thrifty and give to the shifty.

For these reasons I will offer a motion to recommit this bill so as to eliminate the excise taxes. Then let us come back with a bill later in the session distributing the tax over the entire American public, not a selective tax. Let us have a 5-percent increase on top of the amount of taxes we have to pay. Call it any kind of a tax you want to, in order to finance the war, but let us wait until the end of the session before we even increase this tax and let us find out if this Congress will use the restraint that it should necessarily have in order to reduce spending. It would be very easy to reduce our spending and our appropriations between \$1 and \$2 billion if we will simply take the bull by the horns and practice a little financial discipline.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. UTT. I yield to the gentleman from Ohio.

Mr. LATTA. Mr. Chairman, I want to thank the gentleman for yielding to me. I want to ask the gentleman a question which I think is bothering every American who has a telephone, and that includes practically every American. As we go back to the excise tax reduction bill of last year, we notice that we repealed the excise taxes on furs, jewelry, air conditioners, cameras, and so forth. It goes through quite a list of luxury items in this category. Then we get over into matters dealing with bowling alleys and billiard and pool tables and coin-operated amusement devices, cab-

aret taxes, general admissions taxes on horseraces and dograces, and so forth. I notice we are not reimposing these luxury taxes in this bill but we are reimposing the tax we removed last year on our telephone users.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. LATTA. This administration bill is reimposing the tax on telephones. The tax applies to the high income and low income groups alike. Some can afford to pay this tax and others cannot.

Can the gentleman from California give me the logic used by his committee in following this course of action?

Mr. UTT. I can say to the gentleman from Ohio that it represents a rather torturous bit of logic, but there is some logic to it; that is, that the other taxes to which the gentleman referred had been repealed completely. These taxes which we are increasing are still administratively on the books. The item of increasing them does not present as much of an administrative problem to those who are paying them as would be the case with respect to the other taxes. Yet I might say to the gentleman that the telephone company and the automobile companies will not pay the tax. They will pass it on. So they do not care one way or the other whether this tax bill passes or not.

Mr. LATTA. Mr. Chairman, if the gentleman will yield further, this is the same reasoning that the very honorable chairman of the Committee on Ways and Means used before the Committee on Rules when I propounded this question to him, but it just does not seem very logical. It does not seem like much of an argument to me to be attaching this additional telephone tax to users just because the telephone tax was not completely eliminated last year. Thought should have been given to the matter of which excise taxpayer could afford to pay an additional tax more.

It seems to me that it would have been much less burdensome to our lower income groups—and just as easy from a tax writing standpoint—to have reimposed the luxury taxes that I have previously named, rather than attaching this tax increase to the telephone tax just because all of it was not completely eliminated last year. Until this bill is amended, which can only be done on the motion to recommit, to tax these luxury items rather than the telephones, I cannot support it.

Mr. UTT. I would agree with the gentleman from Ohio, but I simply tried to give the gentleman the tortuous logic which was used in the committee in order to arrive at this point.

Mr. KEOGH. Mr. Chairman, I yield myself 10 minutes.

(Mr. KEOGH asked and was given permission to revise and extend his remarks.)

Mr. KEOGH. Mr. Chairman, when this debate opened I thought that I might have the good fortune of following not only the distinguished chairman of our committee, but the equally dis-

tinguished and capable gentleman from Missouri [Mr. CURTIS] and I decided that I would tell the members of the Committee that I was doubly fortunate in following two such men.

But by reason of the change in the program, I confess to being trebly fortunate, for not only do I follow the chairman, who in his usual gracious, capable, and nonpartisan way, presented the merits of the pending bill, not only was I able to look forward to following the distinguished gentleman from Missouri who did his usual magnificent job exploring in an obviously nonpartisan way the economics of the situation, but I have the treble good fortune of following our good and sturdy Member, the gentleman from California [Mr. UTTI].

Mr. Chairman, I hesitate somewhat lest I disturb these placid nonpartisan waters that have obtained through this afternoon, for I am exceedingly pleased that the majority of the minority members of the Committee on Ways and Means have indicated their support for the measure now under consideration, even though their support is characterized by them as "reluctant" in their separate views.

Mr. Chairman, I am not surprised at their reluctance, for that is not uncharacteristic of the support for many of the measures and programs that have been advanced and enacted and successfully established over the years in which I have served in the Congress. I am not a little bit surprised, however, that the minority's expressed reluctance, while not of a measure sufficient to cause them to vote against the pending bill has its basis in their concepts and convictions with respect to fiscal responsibility.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield for a moment?

Mr. KEOGH. I have no alternative but to yield to the distinguished gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I just want to express to the gentleman from New York that I hope he will not go so far as to force any of us to change our mind.

Mr. KEOGH. Mr. Chairman, I will say to the gentleman from Wisconsin that I pondered that very possibility greatly.

I was on the verge of simply extending my remarks. But the whole tenor of this debate followed the chairman's statement on such a high, nonpolitical, nonpartisan basis that I was impelled to take the floor. But accepting the advice of my good friend, the gentleman from Wisconsin, Mr. Chairman, I ask unanimous consent to revise and extend my remarks and yield back the balance of my time.

The CHAIRMAN. Without objection, the request of the gentleman from New York is granted and the gentleman yields back 5 minutes.

Mr. KEOGH. Mr. Chairman, the reports of the press in recent days are replete with references and articles to the effect that an attempt will be made to make this overall issue—fiscal responsibility—a primary topic of debate in this very important year.

I do not wish to be misunderstood, Mr. Chairman, my esteem and commendation for the minority's expressed concern for fiscal responsibility scarcely knows bounds. I congratulate them warmly and enthusiastically for their expressed endorsement of responsible action in fiscal matters. Certainly no one could be critical of such pronouncement.

I think, however, Mr. Chairman, that even a cursory scanning of the record reveals some variances in the armor of fiscal prudence that has come from orators of the minority in recent weeks. For instance, Mr. Chairman, I reluctantly call attention to the subway strike and settlement in the city of New York only last month. This is a geographical area in which the minority is not presently without considerable power and responsibility for the caliber of fiscal responsibility manifested in the affairs of that great city. This settlement has been criticized as inflationary and very considerably and noticeably beyond the wage-price policy of the present administration.

I should like to quote briefly from excerpts of the statement of Mr. Gardner Ackley, Chairman of the Council of Economic Advisers, in this matter:

I deeply regret that the New York transit strike had to be settled on terms that far exceeded the Government's wage guideposts.

The strike and the terms of its settlement were costly not to New York alone. They constitute a serious violation of the wage-price policy of the Federal Government designed to protect a whole Nation from destructive inflation.

Mr. Ackley's statement goes on and concludes with this very significant final sentence:

The public interest has been adversely affected both by the strike and by the terms of its settlement.

So, Mr. Chairman, while I am delighted to have the minority, even with their characteristic reluctance, in support of the measure, I am somewhat disappointed that their reluctance on this occasion is assigned to supposed deficiencies in the bill from the standpoint of fiscal responsibility.

Mr. Chairman, our actions here in the Congress by necessity and nature are many times based on comparisons. I would, therefore, as graciously and sincerely as I know how, invite a comparison between the President's tax program in this bill with the wage settlement in New York. Let the minority use their own expressed yardstick or dimensions of fiscal responsibility and let them tell us which is the more fiscally prudent action in our present economic situation—this bill or the wage settlement in New York.

If such an examination is objectively made, Mr. Chairman, I am confident that whatever reluctance there might have been will disappear and this legislation and the other measures that the President has taken and is taking will receive the wholehearted—not reluctant—support of my good friends on the other side of the aisle.

Mr. Chairman, I am convinced that this is fiscally prudent legislation worthy

of the strong and enthusiastic endorsement of all of my colleagues. The President in a letter on January 19 to our distinguished chairman of the Committee on Ways and Means said he was faced, as the Nation's Chief Executive, with three choices.

The President made this prefatory comment:

The moneys that will flow into the Federal Treasury under present tax laws will not be sufficient to maintain the right fiscal balance during the coming year. Without any changes in the tax laws, budget receipts will rise sharply in response to the sustained economic expansion. But they still would be too low to maintain our economic growth and prosperity without running the risk of inflation.

Then the President turned to the three choices he faced: A deficit in excess of \$6.5 billion, which would require the Government to borrow the additional money; an increase in corporate and personal income tax rates, or other new taxes; or temporary restoration of certain excise taxes, and adoption of graduated withholding of individual income taxes and current payment of corporate income taxes to put the American people on a pay-as-you-go basis without increasing the total tax bill due.

The President chose the third alternative—which he called—and note these adjectives—"moderate, equitable, responsible, and essential." And he also assured us:

If our needs in Vietnam require additional revenues, I will not hesitate to request them.

If this tax bill—one that is designed to withdraw about \$2.7 billion from private purchasing power in calendar 1966—were the only force in the direction of economic restraint, I might be tempted to give more weight to the views of those who tend to grasp at one small component of current economic performance and regard it as sure proof that the U.S. economic machine is overheating.

But think back a bit on fiscally prudent measures that have already been taken.

The Federal Reserve Board last December 5 boosted the discount rate from 4 to 4½ percent.

And President Johnson put his Federal budget for fiscal 1967 together in such a way that the added costs of the Vietnam situation received top priority.

In conclusion, the President and his advisers have defined the aim of fiscal policies over the next 18 months as follows:

To preserve the sound economic expansion we enjoyed in 1965 and earlier years—to maintain a strong and healthy prosperity—and to move toward lower levels of unemployment but neither so far or so fast that bottlenecks and inflationary pressures arise.

This bill, Mr. Chairman, is an essential part of the moderate, equitable, and responsible course that is being followed at this time. Therefore, I urge its enactment.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. BETTS].

Mr. BETTS. Mr. Chairman, in view of the precedent set by my illustrious col-

league, the gentleman from New York, I intend to make only a few observations and to submit my remarks.

Mr. KEOGH. I am confident that my good friend, the gentleman from Ohio, will maintain the high plane of debate that I sought not to disturb.

Mr. BETTS. Mr. Chairman, I intend to support the motion to recommit to be offered by my colleague, the gentleman from California [Mr. Urr]. If this motion is adopted, I would support the bill, because the most objectionable part would be stricken.

Mr. Chairman, I am opposed to House passage of the bill now before us known as the Tax Adjustment Act of 1966, H.R. 12752. The reasons for my opposition are set forth in the separate views in the accompanying committee report in which my esteemed committee colleague from California [Mr. Urr] and I joined. I also concur for the most part in the well-considered separate views of my other Republican colleagues who serve on the Committee on Ways and Means.

In an important sense the bill before us today is not just a tax bill; it is a spending bill. The bill is before us because we have spent too much in the past, we are spending too much in the present, and we propose to spend too much in the future. And the truth of the matter is that if this Congress acquiesces in the fiscal policies of this administration, the bill now before us will not be the last tax bill that we will be requested to approve this year.

The alleged justification for this increase in tax burden on which we will vote today is the recognized need to finance fully the cost of our defense commitments in southeast Asia. But the truth of the matter is that our necessary defense spending could largely be met out of existing revenues if the administration would only agree to defer some of its grandiose Great Society spending programs. My assertion in this regard can be demonstrated by reference to the administration's own figures. An analysis of the budget figures reveals that increases in Great Society costs will amount to at least \$3.5 billion for fiscal year 1967. The budget also anticipates an increase in revenues under existing law of \$6 billion in fiscal year 1967 resulting from growth in the level of economic activity. If the revenue increase is realized as projected and the expansion of the Great Society was deferred until it could be afforded, we would have budget adjustments that would come close to compensating for the estimated buildup in Vietnam costs for fiscal year 1967 of \$10.5 billion.

Mr. Chairman, I would remind my colleagues that it was only last June that we were told it was fiscally prudent and economically desirable for the Congress to approve sweeping excise tax reduction legislation. It was also last June amid great fanfare that the Excise Tax Reduction Act of 1965 was signed into law. I cannot help but wonder what kind of ceremony will be arranged to attend the signing of the bill now before us when it passes the Congress. I cannot help but also wonder how many months will elapse before the administration will be

back with the Second Tax Increase Act of 1966.

The off-again, on-again approach to tax policy pursued by the administration constitutes a dangerously unsettling attempt to attain an aura of fiscal responsibility at a time of soaring extravagance, intolerable waste, alarming inflation, and stifling debt. The administration's fiscal maneuvers which are charted in an obscure way in the budget message can only lead to distrust of our policies and declining confidence in the integrity of our Government. Time magazine for February 18, 1966, contains an essay captioned "Reading the Budget for Fun and Profit" which states:

Lyndon Johnson, who delights in making use of every available lever of power, has used the budget to further his own ends more than any of his predecessors.

Mr. Chairman, rather than charting a responsible fiscal course in his budget message, the President has outlined an uncertain and contradictory collection of spending programs that is devoid of any evidence of fiscal discipline or expenditure restraint. The bill now under consideration is intended to further these confused purposes.

Mr. Chairman, table B-9 on page 394 of the budget message provides the shocking information that the gross expenditures of the Federal Government in fiscal year 1967 will be \$175 billion—or approximately 25 percent of our gross national product. This is \$12 billion more than is contemplated for the current fiscal year and \$30 billion more than was spent as recently as 1965. Is national defense the category in which the largest increase over 1965 has occurred? Not at all. The increase for national defense, comparing 1965 with 1967, is \$10.8 billion but the increase for the category health, labor, and welfare is \$11.2 billion. This spending trend makes it inescapable that we ask ourselves the fundamental question, "Should the Great Society have priority over our endeavors in Vietnam?"

Our last budgetary surplus was in fiscal year 1960. Since then Federal spending has increased 47 percent and we have added \$35 billion to the public debt with what will be seven successive deficits at the end of fiscal year 1967. During the course of the debate today we will undoubtedly hear attempts to rationalize this record of fiscal profligacy on the grounds that as a percent of our gross national product our debt is not growing. Several observations can be made about this fallacious rationale. First, Government spending is a part of our gross national product and therefore as spending grows so does our gross national product. Second, such an assertion implicitly assumes that we do not intend to retire or pay off the debt. Third, the contention ignores the fact that the growing debt carries with it growing interest charges which in the 1967 budget will be the largest single nondefense expenditure item in the amount of \$12.8 billion. And, fourth, the contention fails to take account of the fact that rising debt tends to severely restrict the flexibility and resources that will be available to deal with future contingencies.

Mr. Chairman, I have stated I am opposed to the enactment of H.R. 12752. I believe the measure is a breach of faith with the Nation's taxpayers. Six months ago the American people were told it was good economics to cut taxes on such items as sales of automobiles and telephone services. I believe it is still good economics and it would also be good economics to provide for our increasing expenditures in Vietnam by practicing economy at home on nonessential programs of the Great Society. I disapprove of the fiscal manipulations of the administration as evidenced by its 1967 budget and I intend to manifest that disapproval by voting "no" today.

(Mr. BETTS asked and was given permission to revise and extend his remarks.)

Mr. CURTIS. Mr. Chairman, I yield 13 minutes to the gentleman from Virginia [Mr. BROYHILL].

Mr. BROYHILL of Virginia. Mr. Chairman, I supported this legislation, H.R. 12752, when it was considered by the Committee on Ways and Means. I also support this legislation on the floor of the House today.

I do so, however, with a reasonable degree of reluctance, hesitancy, misgiving, and regret.

No one, of course, likes to increase taxes. There is nothing politically popular about a tax increase bill, and this is a tax increase bill. Make no mistake about it.

I recognize the fact that it has been called by other titles. In fact, the official title of the bill is the Tax Adjustment Act of 1966. It has often been referred to in the press as a restoration of certain taxes or an adjustment or acceleration of collection of revenue. I admit that these references do no sound quite as bad as the phrase "tax increase," but I submit, Mr. Chairman, that just like the phrase, "A rose by any other name would smell as sweet," this bill raises revenue, and you cannot make its effect any different by using other labels. This bill will impose additional taxes on the American people, taken from the fruits of their labor, \$1.155 billion in fiscal year 1966 and \$4.830 billion in fiscal year 1967.

In other words, without this bill the American people would have more money to provide for the basic necessities of life, and even some of the conveniences of life. Without this bill American industries would have more capital under which to conduct their operations and more surplus from which to pay dividends to stockholders.

Regardless of what name we assign to this legislation, the fact of the matter is that we do need additional revenue, and we may as well face up to it. And this is the reason why I am supporting this legislation.

It has been pointed out by some, that the primary purpose of this legislation is to help pay for the increased costs of the war in Vietnam. It is true that the cost of the war in Vietnam is increasing. But, by the same token the revenue under present tax laws is increasing and our economy is expanding and increasing also. If the cost of the war in Vietnam was the only expenditure increasing, and

we were not receiving any other increases in revenue, there would be no argument whatsoever as to the necessity and fairness of this legislation.

When American men are fighting and dying on foreign soil, it is the duty of the U.S. Congress and the American people to back them 100 percent. Regardless of how they got there; regardless of whether we approve of our foreign policy in its entirety, it is our duty to stand behind American troops wherever they represent us in any part of the world. I am confident that all good patriotic American citizens feel that way, and in that light, would be willing to support this bill. The American people are willing to sacrifice, and I use that word advisedly, for I do not mean we will have to sacrifice the hungry and poor. But the American people are, as a whole, willing to work a little harder, to tighten up their belts, and to make whatever extra contribution is necessary to help insure the freedom of our country.

The thing that causes many of us a great deal of concern about this legislation, however, is the belief that this tax bill in the final analysis will be used for other purposes. Many of us feel that we should be making every effort to delay and hold up, if not completely eliminate, some of these nonessential programs, rather than accelerating them as has been proposed by the President.

We have all heard much about guns and butter. I think our economy is strong enough to provide some butter along with the guns, and I am, therefore, not advocating eliminating butter in its entirety. I do feel, however, that we must eliminate the gravy—and the gravy train.

What we are doing is paying, in many instances, millions upon millions of dollars for people to be worthless and no good; while good and industrious young men are fighting for us in Vietnam. The American people are wondering why we are doing this, Mr. Chairman; and they are entitled to know. They want us to justify this legislation and to be sure it will serve the purposes we are told it is designed to serve.

Mr. Chairman, the real reason for this bill, then is to try to halt inflation, and to try to bring the Federal Government costs into balance. If we have failed to halt or reduce our expenditures in other areas we will be compounding the error if we fail to meet our financial responsibilities by raising the revenue to pay for them.

We therefore have two choices to make as to the real reason why increases in expenditures are necessitating this tax bill: It will pay for either first, the war in Vietnam; or, second, the war on poverty. Or, to put it in even more descriptive language, as it is actually being applied today we have a choice between jungle warfare in Vietnam and jungle warfare in the United States of America.

And now, for comments on a few of the provisions of the bill itself:

The most unfortunate part of the entire bill is the fact that we have found it necessary to raise some of the excise

taxes so soon after having found it desirable to reduce them. We have always agreed that excise taxes were among the most undesirable forms of taxation. They have been under constant criticism for years, and were only meant to be temporary taxes when they were first enacted. But, as I have said before, Mr. Chairman, nothing seems to be more permanent than a temporary tax, unless it is a temporary Government building in Washington, D.C.

In increasing these taxes, however, we took the most convenient items to increase. Or, it may be more appropriate to say we took the least inconvenient items upon which to increase the tax. These, of course, were the taxes on the telephone and automobiles. These taxes had not been completely eliminated. Therefore, the bookkeeping mechanisms did not need to be reestablished.

A second reason for choosing the automobiles and telephone was the fact that they would bring in more revenue than the other items reduced last year. In fact, these two items will bring in revenue for fiscal year 1967 in the amount of \$1.205 billion.

We did make three major changes in the excise tax proposals as presented by the administration which I feel are substantial improvements.

First of all, we limited this increase to 2 years rather than postponing the present law which calls for a gradual reduction of these taxes for 2 additional years. In other words, the committee provided that in 1968 the taxes on automobiles and telephones would revert to the same level that they would be under existing law in the absence of this bill. The administration, on the other hand, proposed that we start all over again with the present schedule at today's rates in 1968.

The second change was an attempt by the committee to eliminate, as much as possible, the hardship on the automobile dealers of the 1-percent increase in excise taxes for automobiles in stock at the time of the passage of this bill. There was \$25 million additional revenue involved by adding the 1-percent increase to the floor stock. Since the dealers in many instances did not know what the manufacturer's cost of the automobile was, the committee provided that the manufacturers would be designated as the collection agents for these taxes and would therefore bill each dealer for the amount he would owe on the automobiles he had in stock at the time of passage of the bill.

The third change, and improvement, to the existing law was to exempt nonprofit hospitals from the telephone excise tax in its entirety. Under existing law, Government-owned hospitals, whether they are city, Federal or State, are now exempt from payment of an excise tax on telephone service. Educational institutions, both Government and nonprofit, are likewise exempt from excise taxes on telephones under existing law. It was felt by the committee that the nonprofit nongovernment hospitals should receive the same treatment as Government-owned hospitals, particularly since many of these nonprofit hospitals had al-

ready prepared their budgets counting on the 7-percent telephone tax reduction of January 1 to offset increased costs to them of social security taxes and other expenditures. Rather than impose this economic hardship on them, the committee felt the existing law should be amended so as to eliminate the telephone excise tax for them.

In the section of this bill involving graduated withholding taxes and speed-up in payment of certain corporation taxes, we find that we have a one-shot tax advance of about \$1.1 billion in fiscal year 1966 and \$3.6 billion in fiscal year 1967. This is one of the reasons the bill has not been called a tax increase bill, but it does mean additional money from the pockets of the American people this year.

And the advance they are making to the Government will continue to be advanced year after year ad infinitum. They will never get it back. But, on the other side of the picture, is the fact that this procedure does not provide the Federal Government with additional revenue in later years, since it is a one-shot step-up procedure. If additional revenue is needed in future years, an additional tax increase will be necessary.

There are two problems involved in this withholding tax and speedup collection proposal to which the committee gave a great deal of attention. One is in the area of overwithholding by virtue of the graduated withholding tax proposal. One of the purposes of the graduated withholding tax proposal, in addition to advancing the collection of revenue, was to bring collection more in line with the actual tax liability of the individual. Yet, we found that the graduated withholding tax proposal provided for an increase in overwithholding to \$6.050 billion. In fact, for the wage earners in the \$5,000 to \$10,000 income bracket, there was still \$3.5 billion overwithheld. While we all realize we cannot eliminate all underwithholding and all overwithholding, the committee did want to reduce the inconvenience of overwithholding as much as possible. With this in mind, we came up with a seemingly complicated formula which would permit an additional \$700 exemption to each employee whose deductions in the preceding year exceeded 12 percent of the first \$7,500 of his income and 17 percent of income over \$7,500. He will get an additional \$700 exemption for withholding tax purposes for each \$700 of deductions over the percentages I have just stated for calendar years beginning after December 31, 1966.

As I said before, this is a rather complicated formula, but it represents the best efforts of the committee in trying to eliminate as much as possible the hardship which may have been caused by increased overwithholding.

The other problem involved in this adjustment of taxes was the effect the additional \$1 billion tax collection in fiscal year 1966 and the additional \$3.2 billion collection in fiscal year 1967 would have on our Nation's corporations.

It was pointed out to the committee by the Secretary of the Treasury that since this acceleration of tax payments

only applied to corporations earning over \$100,000 a year it would involve the type of businesses which normally made provision in advance for setting funds aside for their tax responsibility as it accrued. Corporations do in many instances buy short-term bonds or certificates of deposits in order to obtain interest income from these funds so set aside.

It should, therefore, cause no great shock to these corporations to make tax payments early. On the other hand, however, it is obvious that the advance payment of their tax liability will reduce the cash capital they will have on hand. It could, in fact, reduce their operating funds wherein these corporations could be using their funds set aside for tax payments rather than having to make short term loans from the bank or selling their own bonds for interim operating capital.

This bill, then, could be costly to some corporations even though they have made provision for payment of taxes when they come due under existing law. They may have to sell bonds in the month in which they would be paying interest rather than receiving interest, and this could cause some reduction of dividends to the stockholders by virtue of their having to use surplus capital which they would have had on hand if this legislation had not passed.

The Secretary of the Treasury assured the committee, however, that all of these contingencies had been taken into consideration and that it should have no visible effect on the revenue received from these corporations in the future.

So let me say in conclusion, Mr. Chairman, that by and large after recognizing that the need for additional revenue exists, this is a well worked out piece of legislation. The Committee on Ways and Means, and particularly the chairman, has done a commendable job.

This is my 14th year as a Member of the House of Representatives. I had served for 11 years before I had the privilege of being assigned to the Committee on Ways and Means. I had been a Member of the Congress long enough for most of the novelty and awe to wear off. In fact, I am reminded of the story many of us have heard concerning the young Congressman who, when first elected to the House of Representatives, walked through the august halls of Congress looking around at his colleagues in amazement and wondering how he ever got here. But, when he quickly caught on to the hustle and bustle of our daily operations and became acquainted with his colleagues, he began to wonder how the rest of us ever got here.

But, regardless of having been here for a number of years, I am indeed impressed with the thoroughness and the meticulous detail with which all bills referred to the Committee on Ways and Means are deliberated and explored. Such is the case with this bill. The chairman was extremely fair as he always is. The suggestions of every committee member were thoroughly considered. And, as I pointed out, some

changes were made as a result of these suggestions. Mr. Chairman, this bill was, I believe, the best that could be produced at this time concerning this subject.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the distinguished gentlewoman from Michigan [Mrs. GRIFFITHS].

(Mrs. GRIFFITHS asked and was given permission to revise and extend her remarks.)

Mrs. GRIFFITHS. Mr. Chairman, I am opposed to this bill. I am not opposed to the acceleration of tax collection, but I am opposed to deferring the reduction of the auto excise taxes and telephone excise taxes. Unlike the gentleman on the other side, I find this bill, however, neither illogical nor tortured logic. It is simple logic and untortured tax collection. The way you run this bill is to pick up the taxes from four payers in the State of Michigan, the automobile industry, which causes more employment in this country than any other one industry. One person in every six gainfully employed persons in this country is employed either directly or indirectly because of the automobile industry. Therefore, I feel that industry is not the proper industry to have the excise tax reductions deferred. I think we should have looked a little further and done a more equitable job in the taxing of all of the industry of the country for the payment of those things that are necessary for our people.

I oppose this bill, Mr. Chairman, and I want to make it quite clear, even if this bill passes, I trust this House returns again and reduces the excise taxes on telephones and automobiles.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. CHAMBERLAIN].

(Mr. CHAMBERLAIN asked and was given permission to revise and extend his remarks.)

Mr. CHAMBERLAIN. Mr. Chairman, it is with a sense of regret that I rise to protest the proposed reimposition of excise taxes requested by the President. I say regretfully for two reasons. First, because, as I told the members of the Committee on Ways and Means last month, I had looked forward to 1966 as the first year in the 10 years I have been in Congress when it would not be necessary to protest against the continuance of these so-called temporary taxes in general and the discriminatory levy on automobiles in particular. I am certain that not only members of the committee, but of the House at large, looked upon that prospect with equal pleasure.

Second, I would regret very much if my words today were so interpreted as to suggest an unwillingness on my part to support our fighting men in South Vietnam. Nothing could be further from my intentions. We obviously need more funds to do the job there. I recognize this and am ready to do my part. The question before us today is simply whether the reimposition of these excise taxes, admitted by the President to be unfair and burdensome is a just and proper means to raise these needed revenues. I submit that it is not.

In his message to the Congress on May 17, 1965, the President proposed the program of excise tax reduction on the grounds that it would—

- Lower prices to consumers;
- Lessen the burden of regressive taxes on low-income families;
- Raise business profits by expanding sales and cutting costs of tax compliance;
- Cut the Government's costs of tax collection and enforcement;
- End an unfair burden on many businesses and workers who produce the commodities singled out for excise taxation;
- Free consumers from the distorting effects of these taxes on their market choices.

It is true, of course, that the administration initially only wished to reduce the automobile excise tax from 10 to 5 percent. However, when the committee insisted that the rate be dropped to 1 percent the President agreed saying:

While I prefer the program I recommended, I feel that if the tax is to be removed the Ways and Means Committee program represents a prudent way of doing so.

Last year a significant chapter in legislative history was written when these selective excise taxes were cast out, in principle and in fact, from our overall tax structure. The committee, after months of study, and Congress have done their work and done it well. These excises were found guilty as charged as being inherently discriminatory and a drag on the economy. Today, however, we are being asked to set aside much of last session's good work. The President has recommended that the reduction in the automobile and certain telephone excise taxes, made law only a few months ago, be "temporarily" postponed for 2 years.

I believe that the 2-year extension provision would set a bad precedent. During the Korean war emergency the excise tax on automobiles was raised from 7 to 10 percent. This increase and other ones were lent some credibility for being temporary by the fact that they required an annual affirmative action by Congress to their continued life. Mr. Chairman, it took over 12 years after the Korean war to remove these so-called temporary taxes even with this annual review requirement. I am not at all optimistic that this temporary restoration will be any shorter by a 2-year extension. While I was somewhat encouraged by the action of the committee in insisting that after this 2-year period the schedule of staggered reductions be accelerated, it would come as no great surprise to me if 2 years from now we were asked to extend these temporary taxes for another 2 years.

Mr. Chairman, no matter how the military situation changes in the months immediately ahead, it appears likely that our presence in South Vietnam will be required for a period considerably longer than 2 more years. The President himself has warned us of a long period of involvement. That being the case I would respectfully suggest that instead of seeking what may be the quickest and easiest method for increasing tax revenues we should strive to obtain what is the fairest and best form of taxation. I am not satisfied that the reimposition of these taxes, which no one here, I believe,

would deny are burdensome and discriminatory, represents the fairest or best means to obtain the money we may need. Why should two sectors of our economy be made to shoulder such a heavy share of the added cost of our military effort?

It is highly unjust to arbitrarily single out the automobile excise tax as a possible source of additional revenue simply because automobile sales are high, or because restoration of this tax could be accomplished with little administrative difficulty. In all fairness, can we reimpose this tax on a highly necessary and useful consumer product while allowing the purchase of luxury items such as mink coats and diamond rings to go untaxed?

It may well be, Mr. Chairman, that the restoration of these taxes is the most expedient thing to do, but that is not the question. Rather we should be asking, Is it the right thing to do? For the present I have yet to be convinced that the administration cannot solve our fiscal problems without resorting to these admittedly discriminatory measures. I am satisfied that we are going to need a good deal more money for our efforts in Vietnam in the months ahead, and I will support increasing such taxes as may be found to be required. We cannot cut back where it reduces our military effectiveness, especially at a time when American soldiers are in daily combat. Nevertheless, I am convinced that these added tax revenues can be and should be collected on a fair basis.

Therefore, let us not act hastily and undo what has been successfully accomplished by the Excise Tax Reduction Act of 1965, but let us carefully explore possible areas of Federal expenditure where economies might be achieved or look to other more equitable sources for additional tax revenues.

Mr. ULLMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. JENNINGS].

(Mr. JENNINGS asked and was given permission to revise and extend his remarks.)

Mr. JENNINGS. Mr. Chairman, I rise to speak on this bill with some reluctance, because I have reacted to its provisions with conflicting thoughts.

I accept the fact that we need additional revenues to finance the Nation's military operations in Vietnam. In this respect I favor the effort being made to secure these revenues through changes in the tax laws. But, after considerable consideration of the situation that faces us, I disagree with a part of the method employed to obtain the revenues.

My comments on the bill have been set forth in separate views published in the report on H.R. 12752 by the Committee on Ways and Means. Let me outline these for you.

The Revenue Act of 1964 gave the American taxpayer the largest tax cut in the history of our country, and in doing so, the Congress acted in a fiscally responsible manner. That act, which I wholeheartedly supported, was designed to bring about a balance of our Federal budget, and I certainly think we would

have accomplished that goal except for the Vietnam conflict.

We have seen the very favorable economic improvements that have resulted from the 1964 act. Unemployment is down to 4 percent and all indications are that we will continue to have a high rate of economic prosperity.

Before enactment of the Excise Tax Reduction Act of 1965, I cautioned that each measure must be judged in terms of its impact on the Federal budget and in the light of our defense posture in Asia, and elsewhere. Fiscal responsibility should be stressed, I said, and should be the guiding force and dominant feature in any future tax legislation.

In his budget message to the Congress this year, the President estimates a budget deficit of \$6.4 billion for fiscal year 1966 and a deficit of \$1.8 billion for fiscal year 1967. These deficits will exist although the Congress has been asked to approve a tax measure which will result in a revenue increase of \$4.8 billion when the measure is fully effective.

In this connection, we should ask ourselves whether we, as representatives of the people, have accepted fully our responsibilities. Our goal under present circumstances should be one of achieving a balanced budget, and our efforts should be aimed in that direction.

American lives are being sacrificed on the battlefields, and I am convinced Americans at home are willing to make the necessary sacrifice to pay for the support of our forces in Vietnam.

This is confirmed by personal discussions with many of my constituents and from the general nationwide support given the President in this unfortunate situation.

This legislation is titled the "Tax Adjustment Act of 1966." But, in my estimation it fails to meet the needs. It is unfair in the treatment of the excise taxes. I believe the American people would desire that our revenues be obtained in a different manner.

The bill makes several adjustments in tax collection procedures that will speed up income tax payments by individuals and corporations. No additional tax burdens are imposed. These provisions I favor. It restores the excise tax on automobiles and communications to the levels of January 1, 1966. It delays the scheduled reductions in the taxes on automobiles and telephones—which apply to essentials for the American people. I believe it is unfair to restore and delay further cuts in the excise taxes on automobiles and telephones and not restore the cuts on the luxury and other items not as essential to the people.

Why raise and maintain excise taxes on automobiles and communications and not restore the excises on such items as furs, jewelry, luggage and handbags, and toilet preparations in the retail field? Why not restore manufacturers' taxes on such items as television sets and sporting goods, just to name two items on the list reduced last year. And, what about restoring the taxes on cabarets and clubs?

Personally, I do not wish to restore any of these excise taxes, which are con-

sidered regressive in nature. I reiterate that we should not raise the excise rates that affect automobiles and telephones, however, unless we turn to other less essential items.

It seems to me that it would be more fiscally responsible to ask the American taxpayers—both individuals and corporations—to give up half of the income tax received under the 1964 act as his contribution to the war effort. This would result in revenue increases, at a minimum, of more than \$5.5 billion annually. The American public, I am sure, would support such a "victory tax." It would bring about a balance in the Federal budget, and in my judgment would be a much more fiscally responsible approach to our domestic and world situation today.

Needless to say, the income tax applies greatest to taxpayers who can best afford it. The excise, or "nuisance taxes," apply to those least able to afford them—except in the so-called luxury items.

There have been recent reports in the press that the Administration is, in fact, considering other measures designed to keep down inflation and to obtain the revenues needed for military and domestic programs. We may be called upon within the next few weeks or months to adopt income tax legislation that I believe is needed now, and which we could be considering today.

Mr. Chairman, I wish to act properly in giving our Government the funds it needs to support our fighting men in Vietnam. I disagree with the excise tax provisions we have in H.R. 12752. I believe the American people would want us to simplify the whole procedure through the income tax laws, and I favor the "victory tax" plan I have suggested.

Finally, the "victory tax" increase would be eliminated swiftly and we could all feel much better over the results—revenues to finance the Vietnam war and a balanced budget.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. FINO].

Mr. FINO. Mr. Chairman, the American people are not being told the truth by this administration. They are not being told about the accounting tricks and budget gimmicks in the fiscal 1967 budget. They are instead being told that the budget is almost balanced. I think this Congress ought to make certain that the truth gets before the people. This is a good place to start.

Part of this tax package is a tax hike, let us make no mistake about it, and part of it is a glorified accounting trick to shift future revenues into the coming fiscal year. The tax hike is one of the most unfair I have ever seen and the accounting tricks are multi-billion-dollar deceptions designed to beef up fiscal 1967 revenues.

Now I would go along with this sort of thing to some extent if we needed the money for a 1- or 2-year war effort, but that is not the case here. We have enough money for the war effort—even if it drags on for as long as this administration would seem to indicate. The President wants these extra revenues so

that the American people can be tricked into thinking we can afford his wild-eyed and extravagant world-saving programs. The tax package we are voting today is a piece of wool to pull over the eyes of the American taxpayer. This is not the function the Congress ought to fulfill.

I think that Congress should tell the American people that this tax package represents a tax on the President's rose-colored glasses. Last year, the President put on his rose-colored glasses to tell us that nothing foreseeable in Vietnam could jeopardize the proposed excise tax cut. Those were great rose-colored glasses. The reason given for this tax package is the cost of Vietnam—although the budget could easily be cut in nondefense spending so that we might avoid the need for this tax package.

The American people are going to pay for this tax package so that the President's misjudgment in Vietnam does not put any real dent in the proposed expenditures for his wild-eyed, world-saving programs.

The most unjustified thing in this tax package is the reimposition of the telephone excise tax. As the AFL-CIO said last year, this is a tax on low- and middle-income families. The typical telephone-owning family will pay \$5 or \$10 a year to the Government because of this tax. I think that this tax is 100 percent unnecessary.

There are dozens of reasons why this particular tax should not be reimposed even if we had an overwhelming legitimate need for increased tax revenues. Let me give a few. The telephone excise tax is the only excise on an essential household utility. It falls directly on the consumer and if eliminated, benefits only the consumer by its removal, not some middleman. The most emphatic reason for removal of the telephone tax is that it will fall on 8 million families with incomes under the national \$3,000 poverty line. Certainly we have programs that could be sacrificed to avoid this kind of a tax boost.

I would like to suggest that we cut out part of the "poverty" program to make up for the telephone tax hike. I understand that only 1 family out of 10 among our Nation's poor will collect anything from the so-called poverty program this year. More than half of these families would profit if the Congress threw out this telephone tax hike. Forgetting about this telephone tax hike would be a better "poverty" program than Sargent Shriver has ever come up with. It would help poor people, not social workers.

I urge the Congress to reject the telephone tax boost. It is a tax on the poor to pay for waste. It is a tax on free speech to underwrite secrecy and misrepresentation.

I am glad to see that the excessive withholding rates for middle-income families have been reduced. Otherwise, under administration proposals, millions of middle-income taxpayers would have been indirectly taxed through unfair excessive withholding.

As I have already said, this country is not so badly in need of money that we have to resort to the telephone tax. It is

the most unfair of the excise taxes. There are many programs that should be cut before an unfair tax like this is imposed. It is not as if we need the money for desperately essential war-related programs—we have enough revenues for those programs. This revenue being sought today is being sought to pay for grandiose global and domestic giveaways that would be out of place even in the best of fiscal years.

The programs I am thinking of are programs like the international health and education program which talks about world saving while there are millions of needy, illiterate, or starving Americans. I am talking about foreign aid, which pours good money after bad in every corner of the globe. I am talking about military aid to Europe, while Europe thumbs her nose. In line with this concern, I have introduced a resolution to call on the President to begin withdrawing our troops from Europe. We could save enough money that way to skip this telephone tax. Of course there are domestic programs that ought to be slashed—like the poverty program and the infamous "rent supplement." I think we ought to ask ourselves what sort of thing the telephone tax will make room for in the budget. I have no doubt the telephone tax has been paired by backroom planners with some worthless program we would be well advised to defeat even if we had a budget surplus.

The revenues to be voted here today are not aimed only at subsidizing waste abroad—this budget contains enough waste on the home front as well. I understand that the President is tightening his own belt by reactivating the Presidential yacht. I am sure that the American public will be overwhelmed by this sacrifice. Last year, the President tried to pass a tax on bread. Perhaps this year there will be wedding cakes in the White House budget. Either we are fighting a war or we are not. It is time to stop playing "let's pretend."

I believe that we ought to hold taxes down and cut back on wasteful domestic and overseas programs. If we must have the wasteful programs, then let us pay for them without revenue devices like the excise tax on telephones. There are, after all, alternative revenue sources.

The chairman of this distinguished committee says that there is no painless tax. I do not agree with him. There is a painless tax and voluntary to boot.

I believe that a national lottery would easily surpass the telephone tax in the revenues it would bring in. I think that quite a bit of money could be raised by a lottery operating to support the U.S. war effort. In World War II, we had "Victory Bonds"—why not a "Victory Lottery" in this conflict? It would be less painful and more profitable than the telephone tax.

Let me say again that I oppose this tax package. It is more a deception than a revenue device. The President has strained every muscle to camouflage fiscal reality. He has milked every possible source of jumped-up revenues to cram as much revenue as possible into the coming fiscal year. He has made a great effort to disguise our real need to

dispense with wasteful domestic and overseas spending programs. I wish a similar effort had been made to tell the American people what is going on, at home and abroad.

I urge the Members of this House to show courage and vote down this tax bill.

Mr. KEOGH. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia.

(Mr. LANDRUM asked and was given permission to revise and extend his remarks.)

Mr. LANDRUM. Mr. Chairman, I want to ask the Committee's indulgence at this point to make an overall observation about this program.

First, I am sympathetic. I feel very strongly that the first part of this tax package needs to be accomplished with respect to withholding. While I am not willing to rely on these new proposals as a means of raising the necessary revenue for the war emergency, I am willing to accept them as a step in the right direction.

I believe what we ought to realize here is that we are dealing with reform that would need to be done whether or not we were in an emergency. We should not rely on this suggested reform as a means of raising the additional revenues required for the emergency in which we find ourselves.

Nevertheless, despite my misgivings, I would be willing to support it if it were not coupled with the other provision to restore or defer the excise tax reduction on telephones and automobiles.

I believe, however, in trying to find the means of additional revenue that we should not seek the easy—I will use that term instead of the more harsh term, expedient—way of raising the revenue.

We should not impose the burden for this additional money on any particular segment. While it is true that the great majority of our citizens do now subscribe to telephone service and will be participating and that a great majority of our citizens do now purchase automobiles and will be participating, it is nevertheless wrong in my judgment to seek to have these two categories of people alone bear the burden of this extra cost.

It is my thinking that the final judgment will be that this tax proposal will not be a shining example of the many illustrious efforts of this committee and the administration heretofore to face up to our responsibility.

I wish I could support this because I do want to be a part of accepting the responsibility to raise the revenue necessary to take us through this emergency.

I think we are not doing that with the first part. We are just merely reforming where we need reform and the revenues are not going to be sufficient. It is purely a one-shot proposition.

In the second place, I think we are being unfair in deferring the reduction of these excises. I believe that we should resist the desire to be expeditious in this thing and face up to the responsibility of levying whatever tax is necessary to take us through the emergency and provide in doing so that, when the emergency is over, the tax levied for that purpose automatically expire.

Last year the telephone subscribers were told that 7 percent of the 10 percent excise tax on telephones would come off in January 1966 and that the remaining 3 percent would come off by January 1, 1969. The automobile dealers and purchasers of automobiles were told that the excise tax on automobiles would be reduced to 1 percent by January 1969.

To place a moratorium on the reduction of these excises on absolute necessities without restoring the excises on certain luxuries which were removed entirely effective at the end of last year is wrong. It just is not equitable.

I fully understand and appreciate the fact that the Treasury's original proposal has been modified and that the action advocated here is to impose a moratorium with the expectation that the ultimate reduction will occur as originally scheduled. Moreover, I fully understand that it is easier to adopt this moratorium since the two excises in question do remain in our statutes; and while this modification of the original proposal does make the plan more palatable, it nevertheless is still distasteful in that it does not remove the inequity of collecting an excise on necessities while luxury items go free.

The observation has been made that this action is more desirable than the imposition of a general tax increase because a general increase should be deferred until the Congress can reduce expenditures for programs not related to our efforts in Vietnam.

I believe that we can reduce expenditures in certain nonemergency fields in sufficient amount to meet accelerated costs of the war in Vietnam; and while I do not want to see many of the measures the first Session of this Congress enacted reduced to a state of impotence, I do believe that the prudent action to take at this time is to reduce to a minimum certain of these expenditures rather than to reimpose the excise tax on household necessities such as telephones and automobiles.

I wish I could support the program. Under the conditions that it is presented and in the belief that we are doing a most unfair thing to a large segment of our citizens with perhaps to consideration for other things I cannot.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. CALLAWAY]. (Mr. CALLAWAY asked and was given permission to revise and extend his remarks.)

Mr. CALLAWAY. Mr. Chairman, I guess the first rule of political expediency that any of us hear in beginning our political education would be that it is expedient to vote for all spending programs and it is expedient to vote against all tax increases.

We have had a real temptation in the 89th Congress to vote for spending programs. There have been many and they have been massive, offering something for everybody. I have been tempted, like everybody else, but I felt that responsibility called for me to vote against

these spending programs, and I have voted consistently against them with the exception of the expenditures for defense, and justifiable pay raises for people in Government service, which I wholeheartedly support.

Much more tempting, however, is the temptation today to vote against this tax increase. It is always popular to vote against a tax increase, and I guess it always will be. It would be particularly popular to vote against this one, because it is so discriminatory against certain essential businesses, telephones and automobiles.

Of course, there is the added temptation that by voting against this increase we would somehow convince this administration at least to cut down on unnecessary spending.

I feel, however, that we probably should resist this temptation, though reluctantly, because I do not think there is one Member of the House who feels that if we fail to pass this tax increase the administration will really stop spending in the areas where it should have stopped spending already. I think all agree, whether we pass this bill or not, this administration is going to spend money, and spend it fast, for its many unprecedented social programs.

Mr. Chairman, we are going to have massive spending. We are going to have a massive budget, and we are going to have a deficit so much higher than the well publicized \$1.8 billion, that those who have talked of this figure have only smiled when they told us about it. It will be massive.

I think, therefore, that the overriding issue is one of fiscal responsibility. We have a choice. We are going to have a massive deficit this year. Do we pass it on to future generations to be paid for by inflation, or do we take our medicine and pass a tax increase now? This, very simply, is our choice.

As much as I oppose in this bill, as much as I oppose the spending spree that made it necessary, I will reluctantly vote for it and say that it is the better part of a bad situation to vote for the tax increase now, and at least have the courage to pay for a little bit of our sins while we are still here.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I thank the gentleman from Wisconsin for yielding to me.

If I remember correctly, when the tax reduction bill was passed last year, the chairman of the committee indicated that it was necessary, in part, to promote employment in this country.

Now, if I understand it correctly, we have unemployment of 4 percent or less. My question to someone on the committee is, what effect will today's proposed increases have on employment? We have been told previously that tax reduction would be an aid to employment, in other words would decrease unemploy-

ment. Are we now going to travel in the opposite direction with respect to employment in the passage of this bill?

Mr. KEOGH. Mr. Chairman, I see the gentleman from Missouri is on his feet, and I assume he is prepared to give his usual thoughtful answer.

Mr. CURTIS. Mr. Chairman, I thank the gentleman from New York, but I would point out that the point is well taken, of course, to this degree. However, we have increased the employment of young men by about 200,000 in recent months, and it will increase further, also, in the defense industries. First, of course, we have had increases of the men in uniform. In the defense industries there has been an increase of around 200,000 to 300,000. So I suppose this would all be a part of it. The point that I would like to make—and I thank the gentleman for giving me this opportunity to make it—is this: This administration is still talking in terms of this being the longest peacetime upturn in our history. This ceased to be true about June 1965. We have been in a war economy and are in one now. The peacetime theories do not prevail. I think the same point would be made in respect to employment. You cannot consider employment or other economic factors in a wartime period in the same way that you can in peacetime.

Mr. GROSS. Speaking of alleged prosperity and since the gentleman from Missouri is on his feet, I wonder if he would agree with me that the almost \$89 billion increase in the public and private debt in 1965 made a very substantial contribution to the alleged prosperity of this country.

Mr. CURTIS. Yes; and some of that debt is worrying a lot of people because of its quality. Yes. This is a factor which above all I would hope the administration spokesmen would stop talking about and stating how well off this country is when they know that we have boys in Vietnam dying. This is no time to be talking about prosperity, and I am fed up with their boasting about it.

Mr. GROSS. Especially when the public and private debt increases by \$88 to \$89 billion.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. KEOGH. Mr. Chairman, I would like to yield a minute and a half additional to the gentleman from Iowa, if he wants it, if he will yield to me.

Mr. GROSS. I will be glad to yield to the gentleman from New York.

Mr. KEOGH. Being by nature somewhat bold, I would assume, to interject myself in a discussion between the gentleman from Iowa and his colleague from Missouri, I would however, be compelled to point this out:

Mr. GROSS. I would like to deal with this on a bipartisan basis.

Mr. KEOGH. That is another reason why I would make so bold as to be on my feet. I would remind the gentleman that the tax reduction effected by the act of 1964 amounted to \$11.5 billion. The pending bill delays the effective re-

duction of the scheduled reductions in the excises on automobiles and telephones to the extent of \$1.2 billion. I think it cannot be gainsaid by anyone but that the Tax Reduction Act of 1964 was a great contributing factor to the state of the economy generally today.

Mr. GROSS. How about 1965?

Mr. KEOGH. And I think that for years, for years, it has been conceded when unemployment in this country gets down to, or near, or below 4 percent that you are virtually at full employment. My point simply is that it seems to me a delay for 2 years in the reduction of these excises, in my amateur opinion, would have absolutely no effect upon the employment rate.

Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. JONES].

Mr. JONES of Missouri. Mr. Chairman, no one realizes more than I do that what I am about to say will be an exercise in futility, especially in addressing some 20 or 25 Members who are on the floor. I think I understand what the final result will be. I do not intend to make any point of order that a quorum is not present, because I think minds are pretty well made up.

Mr. Chairman, I am in a different position than most of those who have already, or will speak on this bill, inasmuch as I was one of those six who voted against the tax reduction bill last June. At that time I explained that it was not because I was opposed to the reduction and elimination of wartime excise taxes, which should have been removed many years ago, but rather I was opposed to reducing our revenue at a time when we were preparing to authorize an increase in the debt limit. I thought at the time that both actions would have an inflationary effect, and I believe my fears in this respect have been confirmed.

Now, if I voted against the repeal and reduction of taxes last June, some may get the idea that I would be in the most favorable position to vote for this bill today. I will take the few minutes that have been granted to me, to explain why I believe this House will be acting in a most inconsistent and irresponsible manner by adopting the bill now before us.

First, I would remind my friends who are inclined to vote for this bill, that last June we eliminated the excise taxes on many luxury and nonessential commodities and services, and while the bill we are voting on today proposes to restore the cuts which were made on such essential items as automobiles and telephone services, we are doing nothing to reinstate the taxes on jewelry, furs, luggage, purses, handbags, toilet articles, electric, gas and oil appliances, many of which fall into the luxury class, enjoyed by the more affluent segment of our society. When we speak of other items which were included in the removal of excise taxes last June, we are talking about the expensive hi-fi sets, color television, all types of sporting goods, the more sophisticated types of photographic equipment and projectors, used by those who have the means to pay for their indulgence in these types of hobbies. Last June we also removed the excise

taxes from cabarets and night clubs, dues for exclusive social clubs, safe deposit boxes, bowling alleys and billiard parlors, as well as the excise taxes on telegraphic services. The people who use these facilities and services have been relieved of the nuisance and excise taxes, and there is nothing in this bill today to restore those cuts. However, this bill does propose to reinstate the reductions which were made on automobiles and telephones, certainly as essential as any commodity I know.

Tell me, Mr. Chairman, how we are going to justify the discrimination which will be made by the adoption of this bill?

Now let us get down to another consideration which apparently has been overlooked by most people, especially those who are content to let someone else do their thinking for them. I know the President, in his state of the Union message, made some 12 days after some of these reductions had taken effect, recommended the reinstatement of the tax levies on automobiles and telephone service, but I ask you in all sincerity, do you think this recommendation was made as the result of a study by the President. Certainly not, and while I know he accepts the full responsibility of any recommendation he makes, I think all of you know that the same advisers who made the recommendation for the cut last June, made the recommendation for the increase at this time. They were wrong last June and I say they are just as wrong this time. All they are doing now is compounding the mistakes of the past.

Do you mean to tell me, Mr. Chairman, that it was a great surprise to anyone who pretends to know what is going on in the world, to learn that the cost of the war in Vietnam was to continue to rise, and that those who made those recommendations last June did not know that when Congress came back into session this January that there would be the necessity of providing additional revenue? If they did not know that they have no business being in the position of being the advisers to the President.

Not only that, Mr. Chairman, but I am telling you that, while we are attempting to go through a lot of bookkeeping maneuvers to collect taxes in advance, and we are going to recoup a small portion of the excise taxes we removed last June, we are still going to fall short of raising the money which will be needed to carry on the operations upon which we have embarked throughout the world, including the war in Vietnam. I am not an economist, I am not even an accountant or bookkeeper, and I do not have a crystal ball. I do believe that I am a man of average intelligence, who has tried to benefit from the experience I have gained throughout the years, and I try to use those faculties with which I am endowed, and on that basis, I am making the prediction here and now that either one of two things will happen before this session of Congress adjourns. Either the President will be coming to this Congress asking for additional revenue, in the form of new or increased taxes, or the fiscal year 1967 will end

with a deficit far larger than has been estimated by the President's best advisers. Of course, the Ways and Means Committee which brings us this bill today, under a closed rule, which I voted against, will be back before us with another bill, under a closed rule, asking for an increase in the debt ceiling. I continue to have hope, and I hope that this time they will bring us a bill authorizing a permanent debt ceiling, instead of trying to kid the public with a so-called temporary debt ceiling, maintaining the old nonrealistic permanent debt ceiling of \$285 billion.

Mr. Chairman, we are being asked today to approve this bill, consisting of some 50 pages of very technical language, which I doubt if as many as six Members of this House can explain in detail, but which will unquestionably be adopted, to be added to other volumes of the United States Code, and to be translated into regulations of the Internal Revenue Service, which will add to the headaches of the taxpayers and the occupants who make up their returns.

How much more simple it would be, Mr. Chairman, if we would send this bill back to the Ways and Means Committee, with a simple request, worded something like this: "Permanently remove the excise taxes which we reduced or eliminated last June, and then add a surtax to the present income tax of whatever amount is needed to produce the revenue which this administration estimates is necessary to carry on the activity in Vietnam, said additional tax to be automatically repealed, at the end of the fiscal year following the cessation of hostilities and the removal of all U.S. troops from Vietnam." Thus we would be honest in saying to the public that this is a war tax, levied for a specified purpose, and is to be removed when that purpose has been fulfilled.

Again I say, Mr. Chairman, as many speakers have said before, I do not like to vote for a tax increase but I do believe in paying our bills. If we are going to spend the money and if we are going to incur the expenses carrying on a war in Vietnam, I think we should pay for it and when we have paid for those expenses, then take the taxes off.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Florida, a distinguished member of the Committee on Ways and Means [Mr. HERLONG].

Mr. HERLONG. Mr. Chairman, it is with some reluctance that I, as a member of this committee, voted to reimpose these taxes that were taken off. I had to do it after considering the alternatives. I think this is quite important. Here we are trying to do something to raise some necessary additional revenue. If we do not do this, the alternative is a further increase in the income taxes, as the gentleman from Missouri stated, and whether he thinks so or not, in my judgment, that would meet with far less pleasurable reaction on the part of the people than this particular method of doing it.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield for just one question?

Mr. HERLONG. I am happy to yield to the gentleman.

Mr. JONES of Missouri. Do you think it would be a more responsible action? I am not talking about the political angles, I am talking about being responsible and acting responsibly.

Mr. HERLONG. In my judgment, this is the most responsible way that we can provide the necessary money at this particular time, after having gone carefully into all of these alternatives in the committee. I would say to the gentleman, the other basic alternative is a larger deficit. I am just as happy as I can be that somebody in the Treasury and in the administration now recognizes the dangers of big deficits and wants to do something to prevent it as we go along.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield to the gentleman from Iowa.

Mr. GROSS. I do not believe that these are the alternatives—a deficit or higher taxes. I think there is one other alternative and that is to cut down on the unnecessary spending.

Mr. HERLONG. I would agree with the gentleman completely. But does the gentleman seriously believe that there is any possibility of doing that in this Congress?

Mr. GROSS. Not as long as there is a rose garden at the White House and the ability to twist arms—no.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield to the gentleman.

Mr. MILLS. Even if the Congress does reduce the 1967 budget, I do not see anything wrong in fiscal year 1967 in actually having a little bit of a surplus.

Mr. HERLONG. I would be delighted to see that come about.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I am happy to yield to the gentleman.

Mr. CURTIS. The answer to that is—we could if Congress would pass rescission bills affecting fiscal year 1966—that is what I would like to see.

Mr. HERLONG. There are a lot of things a lot of us would like to see done here. But we are faced with a condition and not a theory. The condition with which we are faced at this time certainly impels us to vote for this legislation.

I would remind the gentleman that of all the taxes that were taken off the last time—these are the only two which were not completely taken off. These were reduced or were in the process of being phased out. The gentleman mentioned a number of items which should or could be taken care of by putting the tax back on these items before we did something in this field.

Let me remind the gentleman that what we are seeking in this bill is money, and with respect to the items that the gentleman mentioned, while the taxes have already been taken off, I would remind you that the machinery for collecting these taxes is still in existence and it will not be nearly as difficult to put these back on as it would be to reimpose taxes where the machinery has already gone out of existence for their collection.

The items that the gentleman mentioned as something that should be put back before we went into this earlier, for example the cabaret tax that he is talking about—maybe it should be put back—but you only get \$47 million in a full calendar year out of that. From the tax on furs and so on you only get \$30 million for the whole year. On air conditioners, \$34 million. On phonographs, television sets and records, you get a total of \$225 million on all of these items.

This, to me, is not what we are after. We have to get larger sums of money. This is the most painless—and responsible—way that I see in which we can get the money at this time.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield to the gentleman from Missouri.

Mr. JONES of Missouri. Do you think there are some principles involved also?

Mr. HERLONG. Of course there are principles involved. The principle I am thinking of most is coming nearest to balancing our budget. This is the way I believe we should act if we are to act responsibly. I therefore urge the membership to support this bill and vote against any motion to recommit.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as she may require to the gentlewoman from Illinois.

(Mrs. REID of Illinois asked and was given permission to revise and extend her remarks at this point in the RECORD.)

Mrs. REID of Illinois. Mr. Chairman, I rise in opposition to H.R. 12752, the Tax Adjustment Act of 1966. The fact that I oppose this legislation does not mean that I am against responsible financing of Government obligations. On the contrary, my vote will instead be a vote against what I consider to be the fiscal irresponsibility which brings this bill before us at this time.

We are told that this tax adjustment bill is necessary to aid in financing the increased costs of Government associated with the war in Vietnam and, in so doing, to avoid the creation of serious inflationary pressures. Certainly I agree that our support for our boys and our objectives in Vietnam should receive first priority. I also feel that we should support the war effort by providing for effective safeguards against inflation at home. But it seems to me that what we are doing in this bill is asking the taxpayer to tighten his belt while allowing the Federal Government to let its belt out. In other words, it appears that the real purpose of this legislation is to seek Congressional approval for the administration's proposals for new and expanded domestic and welfare programs while at the same time waging a costly war of indefinite duration abroad. When increased Government spending for these expensive programs at home, together with the necessary costs of Vietnam, are imposed on an already vigorous economy, the result can only be inflation.

It seems to me that we, as Members of Congress, have both a moral and fiscal responsibility to those we represent to approach today's revenue problem in a

realistic and forthright manner. As I see it, the current difficulty does not spring so much from a lack of revenue as from a lack of control over Government spending. In this bill, however, we have an opportunity to serve notice that any request for higher taxes must be matched by a corresponding demonstration by the administration that unessential, nondefense spending will be substantially reduced or postponed until this threat of inflation is past and the situation in Vietnam is resolved. This is a time for both the Congress and the administration to establish meaningful priorities. Unless this is done, we will soon have before us other bills calling not only for new tax increases but more economic controls as well.

Although I have no objection to the several adjustments in tax collection procedures set out in H.R. 12752, I do seriously question the wisdom of singling out telephone service and automobiles as the two items on which to raise this additional revenue. In this day and age, telephones and automobiles are more often necessities than luxuries.

I respectfully submit, therefore, that before we in the Congress embark on piecemeal tax increases, we first insist upon a hard reappraisal of current and future nondefense Government spending so that we can properly determine what, if any, tax legislation is really essential.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. CONTE] such time as he may require.

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Chairman, I can quite understand and sympathize with the financial predicament in which the administration now finds itself. None of us would welcome the prospect of owing more than we are able to pay. None of us would welcome the dilemma of trying to make a dollar out of 98 cents, if I may paraphrase an old saying.

Indeed, how often have breadwinners in every walk of life emerged from the holiday season in a virtual panic over how they would pay for the indulgences and largess to which they have yielded in the spirit of the season?

I am sure we can all sympathize with the administration's predicament over how to find the money to pay for all the promises and commitments that have been made for the next fiscal year.

I share that sympathy. I readily appreciate the gravity of the situation.

However, I cannot sympathize with the proposed means by which the administration would solve its problem.

I cannot sympathize with the legislation now before this body which, no matter what else it may be called, is an outright slap in the face for the American taxpayer. It is an insult to the intelligence of every last citizen of this land. It is as pure an example of two-faced political skulduggery as we have ever seen. I admit that I was convinced last June, along with 400 of my distinguished colleagues in this body, in believing the President's glowing promise and infectious optimism when he forecast vast economic benefits to be gained through a cut in Federal excise taxes.

I believed him when he told us that his proposed program of excise tax revisions would "spur growth and move us closer to full employment by removing an unnecessary drag on consumer and business purchasing power."

I went along with the President when he forecast that a cut in excise taxes would "lower prices to consumers; lessen the burden of regressive taxes on low-income families; raise business profits by expanding sales and cutting costs of tax compliance; cut the Government's costs of tax collection and enforcement; and an unfair burden on many businesses and workers who produce the commodities singled out for excise taxation; and free consumers from the distorting effects of these taxes on their market choices."

I believed the President when he told us on May 17 last year:

In proposing these reductions, I am fully aware of our present and prospective commitments for the defense of the free world. It is impossible to predict precisely what expenditures these may involve in the future. There is, however, no present indication that expenditures will increase to an extent that would make these excise tax reductions inadvisable.

Thus, less than a year ago, the President indicated he was fully aware of our present and prospective commitments, and that there was no indication that expenditures would increase so far to require that we keep these excise taxes. Although he did not mention Vietnam by name, I have assumed all along that he meant to include our involvement in Vietnam as part of his analysis of the situation.

The President also told us:

Our international responsibilities require that we redouble our efforts to assure the continued healthy growth of our economy. Barring some sudden change in the present world situation, I am sure that these excise tax reductions will be a sound and profitable investment in that growth.

Mr. Speaker, on May 17, 1965, this Nation was deeply and irrevocably committed to the Vietnam war. We were in it up to our necks and any knowledgeable, thinking person knew that we were destined to be in it for quite some time to come. We were, in fact, farther away from a peaceful settlement of that war in May of 1965 than we are at this very moment.

I submit that in the months since last May, there has been no sudden change in the world situation, nor has there been any surprising change in the extent of our commitment on behalf of the defense of the free world.

We in the Congress at that time, just as we are now, were effectively kept in the dark about the truth in Vietnam. Few of us had more to go on than the day-to-day newspaper accounts of jungle ambushes, attacks on air bases, dynamiting of GI barracks, and air raids on Communist strong points. If the President told us that he was fully aware of our present and prospective commitments, we had no choice but to believe him. If he told us it was in the best interest of our domestic economy and of our international responsibilities to cut

excise taxes, we had no choice but to believe him.

And I, along with the 400 other Members of this body, did believe him. We voted 401 to 6 in favor of the reduction in excise taxes on June 2, 1965.

Any man who assumes the tremendous burdens of the Presidency must, by nature and pressure, be a prudent man. Thus, I reasoned, the President's appeal for reduction of excise taxes was couched in prudence and economic wisdom; that it was sound and feasible; and I voted in favor of the plan.

The President was applauded by the business community. He was applauded by labor. He was cheered by the Nation's consumers. By proposing to eliminate a multibillion-dollar tax burden from around the necks of America's merchants and consumers, he won a legion of supporters.

Prior to the President's message calling for repeal of excises, I had introduced a bill on my own in the Congress to repeal just the 10-percent Federal tax on telephone calls. Through a little elementary arithmetic, I was able to tell the taxpayers in my congressional district that they would share an annual saving of close to \$2 million with repeal of the telephone tax. In 1964, some 129,618 users in my district had paid out \$1.9 million in telephone excise taxes.

Even before the President told me so, I was able to figure out for myself that a cut in these taxes would prove a shot in the arm for the economy. The 1964 cut in corporate and individual income taxes had produced an obvious upsurge, so a further cut in the tax imposed on an essential communications service could only accelerate the upsurge.

The accuracy of all our predictions is still open to speculation. The reduction went into effect only some 12 days before the President demanded that it be reinstated. And even now, it has been off the books only some 54 days. If this bill is allowed to pass the Congress, we will have associated ourselves with the shortest tax cut in history.

If this obvious case of political duplicity was not bad enough, the President compounds the insult by insisting on a domestic program that flirts dangerously with inflation, that endeavors to expand programs of dubious value, and that amounts to a direct contradiction of the attitude he is asking us to assume in approving the postponement of excise tax cuts.

There is no quarrel with the fact that in order to spend all the money the President wants to spend in fiscal 1967, we are going to have to dig up new sources of revenue. We either accept that or we face a monstrous deficit which is certain to trigger a disastrous period of uncontrolled inflation.

There is, of course, a third alternative and I call upon the Members of this body and of the other side to join me in an appeal to the President to take a pair of Texas-sized pruning shears to the budget of fiscal 1967.

I call upon the President to reevaluate his domestic spending program for the next fiscal year and suggest that postponement or reduction in many of the

Great Society's domestic programs and I leave this to the discretion of the President where to use the blue pencil. I call upon the administration to weigh a possible postponement of some of these Great Society programs against the economic impact certain to result from a postponement of an excise tax cut.

I call upon the Members of Congress to reject this excise cut postponement provision and to insist on a reevaluation of the budget and a reappraisal of the priorities on Federal spending.

The reinstatement of Federal excise taxes is not the answer to the fiscal problems now facing this country. To accept such a notion is to court fiscal disaster.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 10 minutes.

I rise in support of this bill. I shall oppose the motion to recommit. I take that position without any enthusiasm, as I am sure no Member of this Congress ever is enthusiastic about increasing the taxes on our people. In fact, I do so with some reluctance. On the other hand, it seems to me that under present circumstances responsibility requires support of this additional revenue bill. I support it reluctantly because I think that last year by prudent action the administration and the Congress could have avoided the fiscal situation that makes this bill necessary.

In the face of a growing war in Vietnam, the administration proposed, and this Congress enacted during the last session, the largest program of domestic spending in our history. As a result of last year's action, the deficit for this fiscal year 1966 that we are now in is projected at over \$7 billion. In fact, if we used accurate bookkeeping, we could say that if we look at the actual spending as compared with our traditional sources of revenue, the resulting deficit would be close to \$12 or \$13 billion. For bookkeeping purposes that deficit has been reduced by an almost \$1 billion windfall from seigniorage, which, added to the \$3.3 billion from the sale of assets which, also through a bookkeeping process, shows up as a reduction of expenditures, and then this bill itself, reduces the deficit by another \$1.15 billion. With all of this, we end up with what appears on the record to be a \$6.4 billion deficit—and that in a year of relatively high prosperity.

I would point out that last January the administration estimated expenditures for this fiscal year 1966 would be \$7 billion less than current estimates. In other words, when the administration came to Congress a year ago this time and projected the fiscal program for this country for the year 1966, which we are now in, the administration underestimated expenditures by \$7 billion. This bill is part of the penalty that we must pay for that profligacy.

Admittedly, almost \$5 billion of the increase is attributable to the cost of the war. But I suggest that the administration knew those costs would be in excess of the January estimates when they made those estimates and sent that projection up to the Congress a year ago. I suggest that the true costs for 1966 were camouflaged in order to get the

Congress to enact the increased domestic programs, many of questionable urgency in view of the war.

It seems to me that we have got to make up our minds about a few things. There certainly should be no question in anyone's mind but that we are engaged in a war, a war in Vietnam.

There is a question, I think, sometimes as to whether we are willing to fight a war to end the aggression and terrorism in that area.

Look at the budget just presented to us for the coming year—fiscal 1967. How can we as a people, how can our fighting men, and how can Hanoi or Peiping be convinced that the administration is really determined to fight this war, when they see some of the things going on here at home?

Take the financial plan of this Nation which has been presented to us by the President. In a time of war, when the economy is booming, when shortages are appearing, when the demand for manpower is intensifying, a nation needs to adopt a policy of restraint. It needs to adopt a budget which says, "Let us proceed with caution. There is possible trouble ahead." It should shun like the plague an expansionary budget in an already greatly expanded economy, lest it supply those last few breaths of air which cause the balloon finally to burst. Then we will have inflation upon us, with all its evils and hardships and suffering.

Yet, how should we characterize a budget which not only proposes that this Nation undertake all its normal expenditures while paying the heavy costs of the war, but also proposes to increase domestic spending for new programs just enacted, and then, on top of everything else, proposes for immediate enactment by the Congress new programs which will cost still more money?

I suggest to you, Mr. Chairman, that this is not a war budget before us. It is the kind of budget that one would propose if one wanted to stimulate a depressed economy in peacetime. It is potentially a very dangerous budget. It can bring on economic dislocations, not only miserable in themselves, but exceedingly harmful to the war effort.

This is a budget which proposes to spend in 1 year the fantastic sum of \$112.8 billion more than this Nation has ever spent in any other year, including the World War II years. And too, as we find in various places in the budget, that amount understates the actual spending by \$6 billion from the sales of assets has been used to produce at least a book-keeping reduction in spending estimates. Actual expenditures in the President's budget will be almost \$119 billion. Expenditures will be kept there—at \$119 billion—only if—and this is a real big "if"—Congress is willing to go along with some of the reductions and questionable cuts proposed by the President in the same budget. Since 1961 there has been a \$37 billion increase in the annual level of spending—and do not think that this is all because of the war. Only a third of that increase can be attributed to Vietnam.

While the administration was trying last year to convince Hanoi of our seriousness in Vietnam, the administration was prodding this Congress to turn out the largest program of domestic spending this Nation has ever seen. It is difficult to blame anyone for thinking that this Nation was more concerned with its domestic affairs than it was with fighting a serious war.

As a result of that program enacted last year, as a result of continuing large-scale appropriations for new programs, look at what our people and our fighting men and our enemy can read in the newspapers today. Here are just three of many items appearing in the last couple of days. Remember, we are supposed to be at war, and in a costly war.

Item No. 1 is from the Washington Evening Star:

Washington is receiving a Federal beautification grant of \$483,000 for landscaping around buildings. Other cities who are receiving grants are Pittsburgh, which will get about \$465,000 and New Haven, about \$325,000.

Item No. 2 is from a very recent newsletter of the National Education Association:

The U.S. Office of Education is concerned lest some of the nearly \$1 billion Congress made available under title I of the Education Act go down the drain because local school districts haven't yet figured out how to use it properly.

Item No. 3 is from the Washington Daily News:

The Baltimore Health Department requested a Federal grant of \$300,000 to conduct an antismoking campaign in the fifth grade in the city's public schools.

Does this sound like an administration which has decided to make the hard decisions required by the kind of war in which this Nation is engaged? I suggest to you that we did not act like a nation at war in 1964, nor in 1965, nor are we doing so today. As a consequence, that war drags on. We apparently will not act like a nation seriously at war even during fiscal 1967 if we are to enjoy all of the luxuries which we will lavish on ourselves under the President's budget. And what about the period beyond that—beyond fiscal 1967?

We are told that we will be heavily engaged for a long time in Vietnam. But Hanoi and Peiping, if they look at the budget closely, will conclude that we must be planning to get out soon, because with the heavy costs of the proposed domestic spending programs, we will be in a frightful fiscal situation if the equally heavy costs of the Vietnam war continue beyond fiscal 1967. Why? Because this budget is being financed—and even this bill finances it to a degree—from future revenues. We are selling assets and taking advantage of windfalls and speeding up tax collections to reduce the deficit for fiscal 1966 and fiscal 1967. There will come a time, Mr. Chairman, and it will come soon, when those wells will run dry. Then we will have either a colossal deficit or colossal tax increases or both plus Federal controls of wages, prices, and rent controls if the war continues.

It seems to me that a nation which has made a decision to fight a bitter war to a successful conclusion would not dare to take such a grave risk.

Mr. Chairman, yes; I support this bill, this additional revenue that will be provided. I oppose the motion to recommit. I believe it is the only reasonable thing to do under the circumstances. However, I would caution that this is only part of what the present circumstances require. There are those in this debate who have suggested alternatives. They say that we have the alternative of higher taxes or reduced expenditures. In my judgment, Mr. Chairman, we do not enjoy the luxury of alternatives. We have to do both. It is because we have to do both on this occasion that I am going to support this tax bill. This will not be enough. We also have to do the other things, namely, to cut back and use restraint in the area of our expenditures. There must be a real change in the thinking of the Administration and the majority in this Congress.

If we are to support our men in Vietnam, if we are to end the present crisis of credibility that disturbs our people today, and if we are to convince our people and Hanoi of our seriousness in resisting aggression and terrorism, if we are to avoid inflation, a bust, we must not only enact this tax, but we must also reef in our spending sails. We must get out of a dream world and come down to reality.

Mr. SCHMIDHAUSER. Mr. Chairman, the Revenue Act of 1964 provided the American taxpayer a substantial tax cut. This tax cut was predicated on a fiscally responsible budget which was designed to be in balance and actually would provide for a major reduction in our national debt this year. Our sober responsibilities throughout the world and particularly in Vietnam have now changed that situation. Fiscal responsibility requires that some adjustments in our current tax rate be made to meet our responsibilities in leading the free world.

The present bill makes several adjustments in tax collection procedures that will speed up income tax payments by individuals and in particular by corporations. These provisions do not add additional tax burdens. Indeed, this section of the bill represents a marked improvement.

Another section of the bill, however, delays the schedule of reductions in taxes on automobiles and telephones. Particularly with respect to telephones, it is impossible for us in 1966 to call the use of telephones a luxury. The telephone and automobile are essential to people in all walks of life. Our hard-working industrial and agricultural producers find these items essential to their well-being.

Because we need additional revenue, given the current world situation, it is, of course, necessary that a tax adjustment be supported. I intend to support this present legislation on final passage but will take the opportunity to support a properly designed motion to recommit to take out that section which, in my estimation, unfairly reimposes taxation on automobiles and telephones without re-

storing the excise taxes on a wide variety of luxury items and without restoring excise taxes on cabarets and nightclubs. I opposed a closed rule on this bill because I feel it is in order for us to consider other areas of tax reforms that would meet our Nation's needs and yet, at the same time, refrain from putting too heavy a burden upon our working people.

One such recommendation that has long been overdue is the need to reduce the present oil depletion allowance which currently gives an unwarranted tax advantage to an advantageously situated small segment of our population. It is unfortunate that a progressive reduction in the oil depletion allowance has not been incorporated in the present bill. To meet that need, I have introduced legislation in the House which will reduce the oil depletion allowance from its present rate of 27½ to 20 percent in progressive steps over a 3-year period.

I respectfully call to the attention of the chairman and members of the Ways and Means Committee the fact that a sensible reduction in the oil depletion allowance will bring to the Nation substantial revenue without reimposing upon our working people in our factories and on our farms a heavier share of the tax load.

Finally, I believe it is time we redistribute that load by eliminating the special tax privileges that currently exist. The place to start is the reduction of the oil depletion allowance. The time to start is now.

Mr. GRIFFIN. Mr. Chairman, so long as U.S. fighting men are in Vietnam, we have a solemn obligation to support them. The fulfillment of that obligation necessarily involves a higher level of taxation.

During the last session, when the administration proposed a reduction in the automobile excise tax I heartily applauded the idea of eliminating this burdensome and discriminatory tax which has been aimed at the industry of my State. However, because of our commitments in Vietnam, I made it clear then that any excise tax reduction should be accompanied by a corresponding increase in the level of nondiscriminatory general taxation.

Today, we are confronted with the need to raise more revenue, and we have a choice to make. We are in a position to reimpose a discriminatory automobile excise tax or we could choose another course. We could, and we should, pass legislation increasing general taxes that would be fairly applied and equally directed to all parts of our country.

As a Representative of the State of Michigan, I feel that I must vote against final passage of the discriminatory bill before us. However, I want to make it clear that if this bill does not pass, I stand ready to support a request by the President for an increase in nondiscriminatory general taxes.

Mr. LOVE. Mr. Chairman, this bill has my deep concern—particularly the temporary restoration of excise taxes on telephones and automobiles. During the first session of the Congress, I sup-

ported the legislation to rid the country of these inequitable taxes.

However, the emergency created by the war in Vietnam is such that I cannot possibly avoid the consequences of not providing the additional income necessary to cover the tremendous expenses incurred by the war and our domestic policy.

While balancing my strong feelings against excise taxes on the one hand and the demands of our country on the other the latter must prevail. Until a peaceful settlement is reached in southeast Asia we, as Americans, must all be willing to sacrifice in some way to support our fighting men in the armed services. Our heritage dictates the course we must follow.

It is my sincere hope that the responsible committee of the Congress—in this instance the Ways and Means Committee—will begin working on a substitute tax program, so that excise taxes on telephones and automobiles can eventually be eliminated as Congress intended in accordance with the legislation passed during the first session.

Mr. Chairman, the purpose of this bill is to provide revenues to aid in financing the increased costs of Government associated with operations in Vietnam. I am in full accord with this purpose. But I must object to the means by which these revenues are to be collected.

Mr. Chairman, in the last session of this Congress, the American citizen was assured by this body that he was to be afforded cuts in excise tax rates on automobiles and telephone service. No doubt many Americans based their own budgets on this reliance. Are we now, less than a year later, to rescind this assurance, and risk dangerous inflationary pressures?

Mr. Chairman, I have long been an opponent of those fiscal policies that neglect the presence of an ever-increasing national debt. I believe that the present bill's existence was made necessary only because of excessive spending in the past, and is an example of how unwarranted spending directly affects the American citizens.

Mr. WATSON. Mr. Chairman, no one believes any more strongly than I in trying to have a balanced budget, but I do not believe that this bill is the way to accomplish that desired objective. If the administration and this Congress really want to balance the budget, this can be easily accomplished through reduction in domestic spending which will in no manner impair necessary progress in this country.

For the administration to suggest that this tax increase is needed to help finance the war in Vietnam tortures all reason. There might have been some validity in this argument if the President had called for a reduction or even a continuation of the present level of domestic expenditures this year. Unfortunately, notwithstanding the additional cost for prosecuting the war in Vietnam, we found the President appealing for additional increases in his Great Society programs—even to extending them to the peoples of the world.

Mr. Chairman, the American taxpayer should not be the scapegoat for our failure to practice fiscal responsibility. He should not be required to shoulder the added tax burden simply because of the administration's desire to launch new social legislation for the benefit of the world.

As long as this Congress accedes to every request of the President we shall never see a reduction in unnecessary domestic expenditures.

Accordingly, there is no justification for the increase in excise taxes on telephone service and automobiles, both of which are essential to every American family no matter what its lot or station in life may be. It is about time we considered the interests of the overburdened taxpayer instead of the overzealous tax spender.

Mr. DANIELS. Mr. Chairman, it is with some reluctance that I rise today in support of this bill.

I am aware of the mounting cost of the Vietnamese conflict and the strain it has placed upon the Federal budget. As a responsible Member of the Congress, I cannot vote for expenditures and, on the other hand, vote against the taxes to pay for these expenditures. At a time when American lives are being lost in defense of freedom, Americans will not refuse to pay increased taxes to support their fighting sons. It is not the imposition of taxes that I oppose, it is the method employed in this bill that I am against.

Mr. Chairman, I was a vigorous supporter of the legislation which was signed into law last year which would cut and, in many cases, eliminate the so-called nuisance excise taxes. I think that the concept embodied in this legislation was sound and my views on this matter are unchanged.

I feel that there is much that is good in this bill. The adjustments in tax collecting procedures is, I think, meritorious. I am, however, unalterably opposed to the restoration of excise taxes on automobiles and on telephone services. I am, as I said on the House floor last year, opposed to most of these excise taxes as a matter of principle but I am particularly opposed to levying excise taxes on necessities of life, and make no mistake about it, the telephone and the automobile are no longer luxuries to most Americans.

Why, Mr. Chairman, does the Committee on Ways and Means advocate restoring these tax cuts and yet refuse to support a restoration of the excise taxes on items which are luxuries, such as furs, toilet articles, and jewelry.

This is not in its entirety a good bill, Mr. Chairman, and in common with many Members of this House, I would like to vote for much of it and oppose the rest, but, unfortunately, the system does not work that way and when the yeas and nays are called, I cannot say 60 percent yea and 40 percent nay.

As much as I wish this were the case, it is not and it is with great reluctance that I cast a favorable vote today. But I know that it is my duty to support fully our military effort in southeast

Asia. So long as we are committed to this action, the Congress owes a duty to our men in uniform to provide them with full support. For this reason, Mr. Chairman, and only for this reason, I shall vote to support H.R. 12752.

Mr. CLANCY. Mr. Chairman, the bill under consideration today proposes to raise more money from individuals and industry alike by revoking the recent excise tax cuts and speeding up the take in personal withholding and corporate income tax payments.

Many a U.S. taxpayer, already burdened by the new social security levy that began January 1, will find his paycheck reduced by adoption of this legislation. Yet, the administration is not willing to do its share by cutting back nonessential expenditures and deferring initiation of new programs which cannot be justified in view of our current budgetary situation.

The administration has requested approximately \$3.25 billion more in fiscal 1967 for programs in health, education, welfare, housing, poverty, and manpower training. From the beginning, it has shown a determination that the war in Vietnam will not interfere with its beloved Great Society programs. Programs of dubious value continue to be expanded. There has been no restraint exercised in nondefense spending so far as I can see, with the exception of needed and proven programs such as the school milk fund.

It should be obvious to us all—the administration included—that greatly increased expenditures for social programs have brought us face to face with the problem of inflation. In calling for help to the poor, the administration should realize that it is the poor who suffer most from inflation. Even a small rise in the cost of living works a hardship on the poor and the millions of pensioners and others who must live on fixed incomes.

In its efforts to conceal the degree to which this Government is operating at a deficit the administration has proved most ingenious in finding new sources of revenue. Unfortunately, however, the administration is relying to a great extent upon nonrecurring revenues amounting to more than \$12 billion. This is just a temporary expedient, and we will have to face the music sooner or later.

I am unalterably opposed to the provisions of this bill which would restore the excise tax on automobiles and telephones to the levels of January 1, 1966, and delay the further cuts which we voted last year. Why should automobile buyers and telephone users be singled out to bear the burden of raising revenue? I find it impossible to support this principle and will therefore vote in favor of recommitting this bill with instructions to delete the provisions relating to excise tax restoration.

Furthermore, I object to the manner in which these proposed revisions have been presented to the taxpaying public. The public has been led to believe that these tax adjustments are a painless means of enabling the administration to meet its obligations. However, not only

do the revisions mean that less money for consumption will be available on a nationwide basis, but the result is that the administration is borrowing on the future.

Confronted with the prospects of continued deficits and an ever-rising national debt, it becomes imperative that we exert a much more stringent discipline over the nature and volume of Federal spending. We should not spend first and then worry about where the money is going to come from. That is what the administration has been doing. If it had exhibited a little fiscal common-sense, there would be no need for the legislation before us today.

Mr. McMILLAN. Mr. Chairman, I do not know of any man that has made a better impression upon me since I have been a Member of Congress than the gentleman from Arkansas, the Honorable WILBUR MILLS, chairman of the House Ways and Means Committee. In fact, I do not think there has ever been a more able Representative in the Congress than the gentleman from Arkansas [Mr. MILLS]. I always make a desperate effort to follow his good, sound judgment and vote for all the bills that he reports from his committee.

I certainly want to vote for any and all the necessary legislation to finance the unfortunate Vietnam war.

I was a Member of Congress when the excise taxes were placed on automobiles, travel tickets, telephones, and numerous other items and every other Member of Congress at that time who made a speech on this subject stated that the excise taxes would be removed soon after World War II. This is truly a nuisance tax and I voted on several occasions during the past 10 years to remove taxes from plane and railroad tickets, also telephone service; however, we were not successful in having these taxes removed until last year.

Now, that it has only been in effect for approximately 1 month, we are here again trying to place this excise tax on the same items. I could easily vote for this bill increasing taxes if the section pertaining to excise taxes were deleted. I certainly am of the opinion that these excise taxes are more of a nuisance to the public than they are of financial benefit to the Treasury and I will be compelled to vote against this bill in its present form.

Mr. SIKES. Mr. Chairman, I find myself in disagreement with the proposal to increase the excise taxes which the Congress so recently voted to reduce. One of the principal reasons given is that the war in Vietnam will require additional funds, and undoubtedly this is a compelling reason. It is equally important to try to keep the budget in balance, and there is strong justification in the requirement to hold back the forces of inflation. It is awkward, of course, to vote against a measure designed to achieve either of these purposes. Nevertheless, I believe a request for additional taxes should not have been forthcoming until a determined effort had been made to curb nonessential expenditures on the homefront.

Military expenditures other than for

the Vietnamese war have been trimmed \$1.6 billion below last year's level. These reductions are largely in the area of troop housing and similar areas where a need for improvements has long existed. Also, there have been decreases in impacted-area school funds, in school lunchroom programs, and in agricultural programs of long standing. But it is disappointing to note that, on the contrary, increases of \$3.2 billion have been proposed in the programs of the Great Society. Surely these are not more important than the programs previously referred to. There also is an increase in the funds requested for foreign aid. The extreme reluctance of most of the nations of the world to help in the struggle against the spread of communism in southeast Asia does little to encourage bigger programs in foreign aid.

It just does not appear to me that things are in balance. I believe that a protest vote is justifiable. I would hope that there will be a readjustment in proposed spending to provide a better balance between the things that are really needed and the things that can be postponed.

Mr. BARRETT. Mr. Chairman, I am happy to see that the Ways and Means Committee has proposed a method, in the Tax Adjustment Act of 1966, to provide funds for the support of our Vietnam operations which does not result in a general tax increase nor affect tax liabilities. I am also pleased to see, and I must commend the committee, that the bill will provide the needed funds without generating serious inflationary pressures in the domestic economy. It may, in fact, from my reading of the bill, have the more desired effect of having a moderating influence on the expenditures of individuals and business firms.

The major function of the bill will be to improve the procedures for collecting taxes, without affecting tax liabilities. I think that the proposed changes in the graduated withholding of Federal income tax from wages and salaries will result in a more satisfactory condition for the individual taxpayer at tax filing time. The effect of the proposed change, as explained in the committee report, will be to bring the amount of tax withheld during the year more in line with the total amount of tax due. The new withholding rates should benefit both those groups who find that sufficient tax has not been withheld, so that they have had to make a large payment when filing their tax return, and that group which finds, after preparing their tax return, that too much has been withheld and they are entitled to a refund.

According to the committee report, the largest single source of additional revenue is attributable to advancing the payment dates for corporate tax, so that the current payments basis for corporations with tax liabilities in excess of \$100,000 will be reached in 1967 instead of 1970 as scheduled under present law.

Mr. FLYNT. Mr. Chairman, I support H.R. 12752, the tax adjustment bill of 1966, because I believe it is designed to provide revenues necessary to finance the increased costs of government associated with military operations in Vietnam.

I support it because I believe that the language of the bill is designed to finance these costs in a manner which will avoid the serious inflationary escalation which would undoubtedly take place if this bill should fail to pass.

I recognize that inflation may probably come even if the bill does pass, but I believe that there will be less dangerous inflation if this bill becomes law.

Mr. Chairman, it is always unpopular to vote to levy taxes or to increase existing taxes, and it is especially unpopular to restore a tax or taxes which were removed less than a year ago. I view this legislation as a choice between casting a popular vote—as a vote against taxes always is—or a vote to face up to the responsibility of levying increased taxes for increased costs of government occasioned by a major military operation. When faced with the choice between doing that which is popular at the time, or that which I believe to be an act of responsibility, then I must forgo temporary popularity and strive to be responsible when it comes to legislation.

With all my heart, I hope that we will soon be able to accomplish an honorable and successful termination of our military operations in southeast Asia. When that day comes, I shall introduce and support the necessary legislation to repeal everything that we shall enact today. I view this bill today as a measure necessary to the successful prosecution of our military efforts in Vietnam, and I believe that the people of the district which I have the honor to represent are willing to support this position.

Many of my dear friends have written me urging me to, in effect, support the motion to recommit, and some of them have said that if the motion to recommit does not pass, that it may cost them an average of \$9 per year. To those dear friends, I affectionately and respectfully reply that \$9 a year is a small price to pay for our freedom and the freedom of our children.

Mr. Chairman, I hope that we can soon repeal the taxes which we shall enact today, but under present conditions which exist in Vietnam, I must respectfully vote against the motion to recommit and vote for H.R. 12752.

Mrs. DWYER. Mr. Chairman, after much reflection on the need for the additional revenues provided for in the tax adjustment bill before us and on the specific means the legislation would utilize, I shall vote in favor of the motion to recommit.

I recognize that increased tax revenues may be required to support our military efforts in Vietnam, and, whatever our individual views may be about the wisdom of the policies being pursued there by the present administration, there is an unquestionable obligation to provide the resources American troops require.

On the other hand, it is clear from today's debate that the proposed tax adjustments would produce considerably more in revenues than are required for the purposes of the Vietnam war. In effect, therefore, we are being asked to increase taxes, including certain excise taxes which this very Congress reduced or repealed just last year, on what

amounts to an emergency basis even though a substantial portion of those taxes would not be applied to the prosecution of the war.

I see no justification, Mr. Chairman, for reneging on our promise of last year for less compelling reasons than the national security. If the administration is concerned about the threat of inflation—as, indeed, they should be—there are more effective ways of dealing with it than by reimposing excises on telephone service and automobiles. If the administration simply wants to reduce a prospective budget deficit, then the more appropriate action would be a reduction in proposed spending.

The passage by Congress and the approval by the President of last year's excise tax reduction bill was based on sound economic and social grounds. I do not believe the situation has changed sufficiently to warrant the abrupt about-face which this bill would entail.

The recommittal motion, Mr. Chairman, will remove from the bill only the provisions restoring telephone and auto excise taxes. At the same time, it will leave in the bill enough additional revenues to meet the President's request for the extra funds for the Vietnam war. Anything more than that should be considered on its own merits—not under the cover of war—and should be approved, if at all, only after the administration has removed nonessential spending from its appropriations requests.

Mr. CONYERS. Mr. Chairman, I will vote today not to reimpose the excise taxes on automobiles and phone calls for the same reason I supported President Johnson's request last year to repeal those taxes—because repeal would “advance the cause of fairness and balance in our tax system.”

I agreed with President Johnson's argument last year—and I have not changed my mind—that repealing the excise taxes would “spur growth and move us closer to full employment,” and “lower prices to consumers.” Most importantly, I strongly agreed that repealing the excises would “lessen the burden of regressive taxes on low-income families” and “end an unfair burden on the many businesses and workers”—in this case auto and phone company workers—“who produce the commodities which are singled out for excise taxation.”

If there is need for increased taxes, we should use those forms of taxation which are related to the ability to pay. We should not reimpose arbitrary taxes which fall most heavily on working people. Taxes which were unfair and discriminatory last year would be just as unfair and discriminatory this year.

Mr. DERWINSKI. Mr. Chairman, having voted for the motion to recommit, which was unsuccessful, I vote “no” on final passage.

I do not believe that the debate has produced any justification for this tax increase.

Despite the cost of the war in Vietnam, it is obvious that an honest attempt to control nonmilitary Federal expenditures would make this tax increase unnecessary.

For political reasons, it is perfectly

obvious that President Johnson will continue to pursue his “guns and butter” policies. If the House had shown legitimate legislative independence and rejected this tax increase, proper economies in nondefense agencies and departments could have been realized.

This tax increase is, in effect, a blank check for further runaway Federal spending at the expense of the taxpayer.

I have not been a critic of the President's policy in Vietnam. He certainly has enough critics among the radical left of his own party. It is obvious, however, that he is attempting to appease the dangerous radical left of the country by continuing the wild-eyed politically motivated spending schemes of the so-called Great Society. This is the reason for this tax bill, and I reiterate that therefore I cannot support it.

Mr. O'HARA of Michigan. Mr. Chairman, I fully recognize the need for additional revenue to meet the increasing costs of our commitment in Vietnam and to continue necessary domestic programs. And I am willing to support measures to raise the needed revenue, so long as we adhere to the sound taxation principle of ability to pay in raising the revenue.

I have always opposed excise or sales taxes—Federal or State—because they are regressive and often strike hardest at those who can least afford them. If the excises are imposed on items which are clearly luxuries, my objections are not as strong because low-income families are not usually the purchasers of luxuries.

I was very pleased last year—as I know many others in this body were—when we finally took action to do away with many of the Federal excise, or “nuisance” taxes on a rather wide range of items—from handbags to theater admissions. And I was particularly pleased about the action with respect to the excises imposed upon two necessities of modern life, automobiles, and telephone service.

In this day and age, ownership of an automobile—even a new auto on occasion—should not be considered a luxury. Certainly telephone service—local or long distance—is not a luxury.

To raise or postpone lowering the cost of using either, I believe is wrong. Therefore, Mr. Chairman, I intend to vote against the proposed Tax Adjustment Act of 1966.

As I said a few moments ago, I am prepared to vote for measures to raise the money we need to carry out our operations in Vietnam. But I am not in favor of reimposing or continuing a regressive tax which ignores the ability to pay in its application.

Mr. Chairman, I agree in substance with the views of our distinguished and very able colleague from Virginia [Mr. JENNINGS], a member of the Ways and Means Committee. His views are outlined on pages 49 and 50 of the committee's report.

Mr. ROSTENKOWSKI. Mr. Chairman, the distinguished chairman of the Committee on Ways and Means, the gentleman from Arkansas [Mr. MILLS] in his usual fashion has explained fully and comprehensively the provisions of the bill before the committee. I shall not

undertake to repeat any detailed explanation. I have requested time to make very briefly one or two observations which I think are pertinent.

First, Mr. Chairman, I support this bill, because we need the revenue to keep our Government fiscally sound.

Second, Mr. Chairman, I must observe that in connection with the Excise Tax Reduction Act of 1965, I cautioned that the administration and the Congress should not proceed too far and too fast with the complete repeal or too drastic reduction of some of the excise taxes—the auto and telephone tax—then being considered. I pointed out that a too drastic or abrupt reduction in the automobile and telephone taxes would result in an abrupt loss of considerable revenue which the forthcoming budgets might not be in a position to absorb.

Unfortunately, Mr. Chairman, the months which have ensued since that action have borne out my prediction. We are now in a necessary posture of restoring some of the cuts which were made somewhat too abruptly in these taxes in the last session. I recognize that the action then was taken in complete good faith, and of necessity Members of Congress relied on the information which we had before us. It was simply a matter of judgment which I at the time thought should be exercised along the paths of greater restraint.

Now, Mr. Chairman, let me summarize very briefly the reasons why I support the bill before us and why this action is necessary now to maintain a fiscally responsible course for the Government.

The bill is designed to help finance the additional expenditures required by the Vietnam conflict without generating serious inflationary pressures in the domestic economy. The modifications in collection procedures provided in the bill will have a significant effect on revenues in the fiscal years 1966 and 1967 even though they will not increase tax liabilities. The improved collection techniques will also mean important benefits to the vast majority of taxpayers, in that amounts withheld will more nearly approximate final liabilities.

We are advised that the increased tax collections resulting from this bill will have a moderating influence on the expenditures of individuals and business firms, an influence that will tend to offset the expansionary effects of increased defense expenditures. Such a policy is appropriate in view of the near capacity levels of output and employment at which the economy is now operating, and may well promote better balance between the rate of growth of output and investment in expanded capacity. It will also support our effort to reduce the deficit in our balance of payments, in contributing to the comparative stability in the prices of U.S. goods as compared to rising prices of the goods of other nations.

It should also be pointed out that by selecting the excise taxes on telephone service and passenger automobiles for restoration, administration, and collection of the taxes will be much simpler both for business and the Government than would be the reinstitution of taxes

previously repealed—such as the tax on cosmetics or jewelry—since these taxes on automobiles and telephones had only been reduced and the machinery for collection and payment is still in effect.

Mr. GURNEY. Mr. Chairman, I intend to vote against this excise tax bill for these reasons. The Johnson-Humphrey administration asked Congress to repeal excise taxes last year, to take effect January 1, 1966. We repealed. I voted for this repeal.

This excise tax cut had been in effect 12 days when the President came before us and asked us to put the tax back on. The reason given—the cost of the war in Vietnam. The Johnson-Humphrey administration knew full well when the taxes were repealed that the war was going to require great increases in expenditures.

The administration knew full well last year, when it was plastering all manner of costly Great Society welfare legislation on the books that many new billions of dollars would have to be snatched from the taxpayers to pay the tab.

It is irresponsible management of our Nation's fiscal affairs to cut taxes, knowing that spending policies would require their almost immediate reenactment. I cannot and will not support such careless tax and spending policies.

Further, it is not necessary to reimpose these excise taxes if the administration will live within its means.

All it has to do is stop piling new spending for new programs and it will be possible to finance the usual, needed domestic programs as well as the Vietnam war.

Lastly, this bill proposes to reimpose excise taxes on autos and phone bills only. It does not include many luxury items such as mink coats and jewelry. Autos and phones are necessities today, not luxuries, and this bill hits everyone, particularly many who can afford it least.

We are today witnessing the oldest trick in the political book. It goes something like this: First, make a big noise about reducing or repealing an unpopular tax. Be the hero of the day. Then, when the reduction has been in effect for such a short time that it is hardly noticeable, cry loudly about pressing national emergencies and reinstate the tax with obvious reluctance. The theory is a simple one. You do not lose any significant revenue, everybody loves you for repealing the tax, and nobody really blames you for being forced to reimpose it to save the country from some peril.

But, Mr. Chairman, today this theory will not work. The American people are too tired of being tricked, and they will not believe in the tricksters.

Less than a year ago, in action long overdue, the Congress repealed excise taxes which were supposed to have been a temporary expedient to finance the Korean war. We did this at the request of the administration, accompanied by great fanfare from White House press sources.

Now, the President knew at the time that he could not continue to increase spending and at the same time lose all this tax revenue—\$1.7 billion of it. Nor did he have any intention of cutting

down on the expensive programs of the Great Society or practicing any real austerity in spending.

The result of all this is clearly before us in this bill we consider today. The taxes will be reimposed, and before we have even had a chance to notice that they were gone.

Mr. Chairman, my Republican colleagues and I warned last year that this tax cut would have to be accompanied by a little belt tightening in the administration. But the belt has been loosened instead, and now it is the consumer who must tighten his belt. The same consumer, I might add, who has been tightening his belt for some time now due to the increase in prices caused by the administration's reckless and inflationary fiscal policies.

The problem that the administration faces today is not caused by lack of revenue. It is caused by a lack of control over Government spending and a refusal to meet the responsibility of balancing a budget.

Tax revenues have already increased by \$28 billion in the past 5 years. But spending has far exceeded that figure, and we have seen Government expenditures rise by \$37 billion in the same 5 years.

And, contrary to administration propaganda, less than a third of that increase is due to the war in Vietnam. The rest is due to gross irresponsibility with the taxpayer's dollars.

Mr. Chairman, it is far beyond time for us to put a stop to this never-ending and dangerous game in which the taxpayer must always be the loser. It is high time for us to demand what we should have insisted upon long before this—a balanced budget, where the administration behaves like all of us must, and lives within its means.

The American taxpayer is not an endless source of money. He is already being hit squarely in the pocketbook by inflation, and now the administration is asking him to cough up more money to help pay for more inflation.

I urge the Members of this House to defeat the proposal before us today to reinstate the excise taxes, and stop this reckless policy which can only lead to the ruin of our economy.

Mr. OTTINGER. Mr. Chairman, we have to face the fact that we cannot meet our obligations in Vietnam and make the threat of inflation disappear with mirrors. We need sound, long-range fiscal planning and a thoroughgoing review and overhaul of Federal programs and spending.

This is why I am voting against the administration's Tax Adjustment Act, H.R. 12752, today and why I urge my colleagues to do the same.

Before we move forward on any tax increase, there should be a general belt-tightening within the Federal Establishment. I feel sure that substantial funds can and should be obtained by exercising greater economy in Federal spending and by cutting the "fiscal fat" out of unnecessary and wasteful Federal programs. I know that this can be done without

damage to the administration's overall program.

For example, modifications of the farm program and the Public Works and Economic Development Act, both of which I voted against, could pare nearly \$6 billion from the Federal budget over the next 5 years.

This Tax Adjustment Act we are considering here today is not a sound, long-range measure. Many of the contributions that the administration claims it will make to the Treasury are illusory. In fact, \$4.7 billion of the \$6 billion total that the administration claims the measure will bring in is not a revenue increase at all. This \$4.7 billion is just a temporary gain resulting from a speed-up in collections of corporate and individual taxes that would have been collected anyway. Over the long haul, this will not add one single, solitary nickel to the Treasury and when the short-term windfall is spent to meet today's deficit, where will the administration turn for money to continue existing programs?

The moratorium that the administration proposes for excise tax reductions on automobiles and telephone service is arbitrary and discriminatory. Why were automobiles and telephone service singled out? The administration tells us that the companies involved do not object. Why should they? In this day and age, cars and telephones are necessities. The costs will be borne, not by the companies, but by the average consumer.

Mr. Chairman, before the administration comes to Congress to ask for new taxes, it should undertake an immediate review of Federal spending and cut away the fat. We might also consider a tax on war profits. Then, if additional funds are needed the administration should come forward with responsible long-range proposals that do more than merely defer the day of reckoning.

Mr. CLEVELAND. Mr. Chairman, because I recognize fully the necessity for increasing the Government's revenues at this critical time, I shall vote for H.R. 12752, the Tax Adjustment Act of 1966. My support, however, is extremely reluctant.

The administration argues that this measure is needed in order to finance the war in Vietnam. I disagree. The war could be financed out of current revenues if the administration would only cut down on its unprecedented high level of spending for domestic programs, as I have long urged. It has refused to do so. It is this refusal that leads me to conclude that this administration has neither the wit nor the will to take this necessary course and so I am constrained to vote for this tax increase.

Without the added revenues provided by this measure, we would court a disastrous inflation, increased deficits in our international balance of payments, and more rapid draining of our dwindling gold supply.

Inflation presents one of the major domestic dangers to our economy today. All steps, such as this bill, that will help to dampen the flames of inflation, deserve support.

The bill is poor in several respects. It restores excise tax cuts on cars and tele-

phone rates, which the Congress voted to lower just last year. Cars and telephones are necessities for most people and it does not seem right to restore a tax on those items while leaving untouched the luxury items—jewels, furs, luggage, cosmetics, and the like—on which we also removed taxes last year.

We are told that the automobile and telephone companies, which are enjoying record prosperity, do not object to this tax restoration. To me, this is a meaningless argument. It is not the companies that will pay this tax; it is the consumers.

NO SPENDING BRAKES

It is deeply disturbing that the Administration shows no sign of applying the brakes significantly to its deficit spending on the domestic front. Instead, it tries to tell us that everything would be wonderful and that the budget would be heading toward an early surplus if it were not for the extraordinary costs of the war in Vietnam.

This argument is punctured completely by the excellent statement of six minority members of the Ways and Means Committee whose supplemental views accompany the report on H.R. 12752. They point out that Federal spending has increased rapidly until, in our next fiscal year, it will be \$37 billion higher than it was in 1961, but that less than one-third of this spending increase can be attributed to the costs of the war in Vietnam.

During this same period, our revenues have climbed as well. Our income will be higher by \$28 billion in fiscal 1967 than it was in 1961. Thus, it is readily apparent that our deficit condition was not caused by lack of revenues but by lack of restraint and intelligent selectivity in Government spending. These figures support my claim that the war in Vietnam could be financed by prudence on the domestic front.

BAD PLANNING OR DECEIT?

Another disturbing aspect to this legislation is that it shows either that the administration has not been forthright in telling the American people what the war in Vietnam is going to cost or that its planning is very bad.

Last year, when the administration asked for these tax reductions it said we could afford the loss of revenues involved. Now, just a few months later, the administration comes back-peddling to Congress. Are we to believe that our military and diplomatic aims are so little understood by those responsible for planning them? Or are we to conclude that this is merely a method for easing the country slowly into the facts of our situation? Either way, it is very troubling. One does not wish to think that the Government does not know what it is doing. Nor does one wish to think it is concealing its intentions from the public. But it is hard to avoid reaching one conclusion or the other.

TAX REFORMS NEEDED

Tax reform is sorely needed, particularly tax reduction. But this cannot come until the way is prepared through sound and responsible spending policies. That is why I have voted to eliminate the enormous Federal subsidies to big farms

and plantations, to reduce foreign aid, against the Appalachian redevelopment program, the antipoverty bill, and other deferrable or unnecessary programs.

I have long urged that we raise individual tax exemptions from \$600 to \$900 a year, a reform that would ease the burden on the hard-pressed head of household at a time of rapidly rising costs of living. But this would cost the Government some \$8 billion a year in lost revenues. As long as the Government continues to spend upwards of \$500 million a month beyond its income, such a proposal has no chance of acceptance.

I oppose the deficit-spending policies which make this bill necessary. It is those that are to blame and not just the war in Vietnam. I shall vote for it with the warning that if this Congress and this administration do not quickly establish strict priorities, we will face calls for more taxes and very likely for Government controls over the economy to check the mounting flames of inflation that are searing the public, in particular the poor, and which will soon become so painful that even this administration will have to react.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their own remarks on the bill before the Committee of the Whole at this point in the Record.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. MILLS. Mr. Chairman, I yield myself just 1 minute.

I want to take this occasion to congratulate my very distinguished friend from Wisconsin for his statement in support of the bill and in opposition to the motion to recommit. My friend is always very logical. I wanted the House to know that he has thoroughly convinced me that we ought to be against the motion to recommit, and I hope other Members on this side will feel as I do about it and join me in opposition to the motion to recommit and in support of the bill on final passage.

The CHAIRMAN. Under the rule, the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments that are offered by direction of the Committee on Ways and Means.

The bill follows:

H.R. 12752

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,
Section 1. Short Title, etc.

(a) SHORT TITLE.—This Act may be cited as the "Tax Adjustment Act of 1966".

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—ADJUSTMENT OF CERTAIN COLLECTION PROCEDURES

Section 101. Income Tax Collected at Source.

(a) PERCENTAGE METHOD OF WITHHOLDING.—Subsection (a) of section 3402 (relating to requirement of withholding) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—Every employer making payment of wages shall deduct and withhold upon such wages (except as otherwise provided in this section) a tax determined in accordance with the following tables. For purposes of applying such tables, the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b) (1):

"TABLE 1.—If the payroll period with respect to an employee is weekly

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess of \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess of \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

"TABLE 2.—If the payroll period with respect to an employee is biweekly

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
\$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

"TABLE 3.—If the payroll period with respect to an employee is semimonthly

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

"(b) Married person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

"TABLE 4.—If the payroll period with respect to an employee is monthly

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14 percent of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15 percent of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17 percent of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20 percent of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25 percent of excess over \$733.
Over \$917-----	\$176.63 plus 30 percent of excess over \$917.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14 percent of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15 percent of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17 percent of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20 percent of excess over \$733.
Over \$1,475 but not over \$1,833-----	\$262.29 plus 25 percent of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30 percent of excess over \$1,833.

"TABLE 5.—If the payroll period with respect to an employee is quarterly

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14 percent of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15 percent of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17 percent of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$172.25 plus 20 percent of excess over \$1,100.
Over \$2,200 but not over \$2,750-----	\$392.25 plus 25 percent of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30 percent of excess over \$2,750.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14 percent of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15 percent of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$155 plus 17 percent of excess over \$1,100.
Over \$2,200 but not over \$4,425-----	\$342 plus 20 percent of excess over \$2,200.
Over \$4,425 but not over \$5,500-----	\$787 plus 25 percent of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30 percent of excess over \$5,500.

"TABLE 6.—If the payroll period with respect to an employee is semiannual

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14 percent of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15 percent of excess over \$350.
Over \$600 but not over \$2,200-----	\$72.50 plus 17 percent of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$344.50 plus 20 percent of excess over \$2,200.
Over \$4,400 but not over \$5,500-----	\$784.50 plus 25 percent of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30 percent of excess over \$5,500.

"(b) Married person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14 percent of excess over \$100.
Over \$600 but not over \$2,200-----	\$70 plus 15 percent of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$310 plus 17 percent of excess over \$2,200.
Over \$4,400 but not over \$8,850-----	\$684 plus 20 percent of excess over \$4,400.

"TABLE 6.—If the payroll period with respect to an employee is semiannual—Continued

The amount of wages is:	The amount of income tax to be withheld shall be:
Over \$8,850 but not over \$11,000.	\$1,574 plus 25 percent of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30 percent of excess over \$11,000.

"TABLE 7.—If the payroll period with respect to an employee is annual

"(a) Single Person—Including Head of Household:

The amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700.	14% of excess over \$200.
Over \$700 but not over \$1,200.	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400.	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800.	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000.	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

"(b) Married Person:

The amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200.	14% of excess over \$200.
Over \$1,200 but not over \$4,400.	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800.	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700.	\$1,368 plus 20% of excess over \$8,800.

"TABLE 7.—If the payroll period with respect to an employee is annual—Continued

The amount of wages is:	The amount of income tax to be withheld shall be:
Over \$17,700 but not over \$22,000.	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

"TABLE 8.—If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

"(a) Single Person—Including Head of Household:

The amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90.	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30.	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10.	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10.	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10.	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

"(b) Married Person:

The amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30.	14% of excess over \$0.50.

"TABLE 8.—If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period—Continued

The amount of wages is:	The amount of income tax to be withheld shall be:
Over \$3.30 but not over \$12.10.	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10.	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50.	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30.	\$8.63 plus 25% of excess over \$48.50.
Over \$60.30-----	\$11.58 plus 30% of excess over \$60.30.

(b) AMOUNT OF WITHHOLDING EXEMPTION.—Paragraph (1) of section 3402(b) (relating to percentage method withholding table) is amended by striking out the table set forth therein and inserting the following table in lieu thereof:

"Percentage Method Withholding Table

Payroll period:	Amount of one withholding exemption
Weekly-----	\$13.50.
Biweekly-----	26.90.
Semimonthly-----	29.20.
Monthly-----	58.30.
Quarterly-----	175.00.
Semiannual-----	350.00.
Annual-----	700.00.
Daily or miscellaneous (per day of such period).	1.90."

(c) WAGE BRACKET WITHHOLDING.—Paragraph (1) of section 3402(c) (relating to wage bracket withholding) is amended by striking out the tables set forth therein and inserting the following tables in lieu thereof:

"If the payroll period with respect to an employee is weekly and he is not married—

"And the wages are—

And the number of withholding exemptions claimed is—

At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
\$0-----	\$4-----	The amount of income tax to be withheld shall be—										
\$4-----	\$5-----	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$5-----	\$6-----	\$0.10	0	0	0	0	0	0	0	0	0	0
\$6-----	\$7-----	.20	0	0	0	0	0	0	0	0	0	0
\$7-----	\$8-----	.40	0	0	0	0	0	0	0	0	0	0
\$8-----	\$9-----	.50	0	0	0	0	0	0	0	0	0	0
\$9-----	\$10-----	.70	0	0	0	0	0	0	0	0	0	0
\$10-----	\$11-----	.80	0	0	0	0	0	0	0	0	0	0
\$11-----	\$12-----	.90	0	0	0	0	0	0	0	0	0	0
\$12-----	\$13-----	1.10	0	0	0	0	0	0	0	0	0	0
\$13-----	\$14-----	1.20	0	0	0	0	0	0	0	0	0	0
\$14-----	\$15-----	1.40	0	0	0	0	0	0	0	0	0	0
\$15-----	\$16-----	1.50	0	0	0	0	0	0	0	0	0	0
\$16-----	\$17-----	1.70	0	0	0	0	0	0	0	0	0	0
\$17-----	\$18-----	1.80	0	0	0	0	0	0	0	0	0	0
\$18-----	\$19-----	2.00	0	0	0	0	0	0	0	0	0	0
\$19-----	\$20-----	2.10	.20	0	0	0	0	0	0	0	0	0
\$20-----	\$21-----	2.30	.30	0	0	0	0	0	0	0	0	0
\$21-----	\$22-----	2.40	.40	0	0	0	0	0	0	0	0	0
\$22-----	\$23-----	2.60	.60	0	0	0	0	0	0	0	0	0
\$23-----	\$24-----	2.70	.70	0	0	0	0	0	0	0	0	0
\$24-----	\$25-----	2.90	.90	0	0	0	0	0	0	0	0	0
\$25-----	\$26-----	3.00	1.00	0	0	0	0	0	0	0	0	0
\$26-----	\$27-----	3.20	1.10	0	0	0	0	0	0	0	0	0
\$27-----	\$28-----	3.40	1.30	0	0	0	0	0	0	0	0	0
\$28-----	\$29-----	3.50	1.40	0	0	0	0	0	0	0	0	0
\$29-----	\$30-----	3.70	1.60	0	0	0	0	0	0	0	0	0
\$30-----	\$31-----	3.90	1.70	0	0	0	0	0	0	0	0	0
\$31-----	\$32-----	4.10	1.90	0	0	0	0	0	0	0	0	0
\$32-----	\$33-----	4.20	2.00	.10	0	0	0	0	0	0	0	0
\$33-----	\$34-----	4.40	2.20	.20	0	0	0	0	0	0	0	0
\$34-----	\$35-----	4.60	2.30	.40	0	0	0	0	0	0	0	0
\$35-----	\$36-----	4.70	2.50	.50	0	0	0	0	0	0	0	0
\$36-----	\$37-----	4.90	2.60	.70	0	0	0	0	0	0	0	0
\$37-----	\$38-----	5.10	2.80	.80	0	0	0	0	0	0	0	0
\$38-----	\$39-----	5.20	3.00	.90	0	0	0	0	0	0	0	0
\$39-----	\$40-----	5.40	3.10	1.10	0	0	0	0	0	0	0	0
\$40-----	\$41-----	5.60	3.30	1.20	0	0	0	0	0	0	0	0
\$41-----	\$42-----	5.80	3.50	1.40	0	0	0	0	0	0	0	0
\$42-----	\$43-----	5.90	3.60	1.50	0	0	0	0	0	0	0	0
\$43-----	\$44-----	6.10	3.80	1.70	0	0	0	0	0	0	0	0
\$44-----	\$45-----	6.30	4.00	1.80	0	0	0	0	0	0	0	0
\$45-----	\$46-----	6.40	4.10	2.00	0	0	0	0	0	0	0	0
\$46-----	\$47-----	6.60	4.30	2.10	.20	0	0	0	0	0	0	0
\$47-----	\$48-----	6.80	4.50	2.30	.30	0	0	0	0	0	0	0
\$48-----		6.90	4.70	2.40	.50	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is weekly and he is not married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$48	\$49	\$7.10	\$4.80	\$2.60	\$.60	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$49	\$50	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$50	\$51	7.50	5.20	2.90	.90	0	0	0	0	0	0	0
\$51	\$52	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0
\$52	\$53	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0
\$53	\$54	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$54	\$55	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0
\$55	\$56	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$56	\$57	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0
\$57	\$58	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$58	\$59	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0
\$59	\$60	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$60	\$62	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0
\$62	\$64	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0
\$64	\$66	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0
\$66	\$68	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0
\$68	\$70	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0
\$70	\$72	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0
\$72	\$74	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0
\$74	\$76	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0
\$76	\$78	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0
\$78	\$80	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0
\$80	\$82	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0
\$82	\$84	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0
\$84	\$86	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0
\$86	\$88	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0
\$88	\$90	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$90	\$92	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0
\$92	\$94	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0
\$94	\$96	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0
\$96	\$98	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$98	\$100	\$16.10	\$13.40	\$11.10	\$8.80	\$6.50	\$4.30	\$2.10	\$.10	\$0	\$0	\$0
\$100	\$105	16.80	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0
\$105	\$110	17.80	15.10	12.60	10.30	8.00	5.70	3.40	1.30	0	0	0
\$110	\$115	18.80	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0
\$115	\$120	19.80	17.10	14.40	12.00	9.70	7.40	5.10	2.80	.80	0	0
\$120	\$125	20.80	18.10	15.40	12.80	10.50	8.20	6.00	3.70	1.50	.40	0
\$125	\$130	21.80	19.10	16.40	13.80	11.40	9.10	6.80	4.50	2.30	1.10	0
\$130	\$135	22.80	20.10	17.40	14.80	12.20	9.90	7.70	5.40	3.10	1.80	0
\$135	\$140	23.80	21.10	18.40	15.80	13.10	10.80	8.50	6.20	3.90	2.50	.60
\$140	\$145	24.80	22.10	19.40	16.80	14.10	11.60	9.40	7.10	4.80	3.30	1.30
\$145	\$150	25.80	23.10	20.40	17.80	15.10	12.50	10.20	7.90	5.60	4.60	2.40
\$150	\$160	27.30	24.60	21.90	19.30	16.60	13.90	11.50	9.20	6.90	6.30	4.00
\$160	\$170	29.30	26.60	23.90	21.30	18.60	15.90	13.20	10.90	8.60	8.00	5.70
\$170	\$180	31.06	28.60	25.90	23.30	20.60	17.90	15.20	12.60	10.30	9.70	7.40
\$180	\$190	34.10	30.80	27.90	25.30	22.60	19.90	17.20	14.50	12.00	11.40	9.10
\$190	\$200	36.60	33.30	29.90	27.30	24.60	21.90	19.20	16.50	13.80	13.10	10.80
\$200	\$210	39.10	35.80	32.40	29.30	26.60	23.90	21.20	18.50	15.80	15.10	12.50
\$210	\$220	41.80	38.30	34.90	31.50	28.60	25.90	23.20	20.50	17.80	17.10	14.40
\$220	\$230	44.80	40.80	37.40	34.00	30.70	27.90	25.20	22.50	19.80	19.10	16.40
\$230	\$240	47.80	43.80	39.90	36.50	33.20	29.90	27.20	24.50	21.80	21.10	18.40
\$240	\$250	50.80	46.80	42.70	39.00	35.70	32.30	29.20	26.50	23.80	23.10	20.40
\$250	\$260	53.80	49.80	45.70	41.70	38.20	34.80	31.40	28.50	25.80	25.10	22.40
\$260	\$270	56.80	52.80	48.70	44.70	40.70	37.30	33.90	30.60	27.80	27.10	24.40
\$270	\$280	59.80	55.80	51.70	47.70	43.60	39.80	36.40	33.10	29.80	29.10	26.40
\$280	\$290	62.80	58.80	54.70	50.70	46.60	42.60	38.90	35.60	32.20	31.30	28.40
\$290	\$300	65.80	61.80	57.70	53.70	49.60	45.60	41.60	38.10	34.70	33.80	30.50
\$300	\$310	68.80	64.80	60.70	56.70	52.60	48.60	44.60	40.60	37.20	36.30	33.00
\$310	\$320	71.80	67.80	63.70	59.70	55.60	51.60	47.60	43.50	39.70	38.80	35.50
\$320	\$330	74.80	70.80	66.70	62.70	58.60	54.60	50.60	46.50	42.50	41.40	38.00
\$330	\$340	77.80	73.80	69.70	65.70	61.60	57.60	53.60	49.50	45.50	44.40	40.50
\$340	\$350	80.80	76.80	72.70	68.70	64.60	60.60	56.60	52.50	48.50	47.40	43.40
\$350	\$360	83.80	79.80	75.70	71.70	67.60	63.60	59.60	55.50	51.50	50.40	46.40
		30 percent of the excess over \$360 plus—										
\$360 and over		85.30	81.30	77.20	73.20	69.10	65.10	61.10	57.00	53.00	48.90	44.90

"If the payroll period with respect to an employee is weekly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$4	\$0.10	0	0	0	0	0	0	0	0	0	0
\$4	\$5	0	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60	\$61	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$61	\$62	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$62	\$63	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$63	\$64	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$64	\$65	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$65	\$66	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$66	\$67	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$67	\$68	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$68	\$69	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$69	\$70	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$70	\$71	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$71	\$72	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$72	\$73	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$73	\$74	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$74	\$75	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$75	\$76	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$76	\$77	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$77	\$78	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$78	\$79	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$79	\$80	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$80	\$81	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0
\$81	\$82	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$82	\$83	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$83	\$84	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$84	\$85	18.40	16.10	13.80	11.60	9.50	7.50	5.50	3.50	1.50	0	0
\$85	\$86	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$86	\$87	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$87	\$88	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0

"If the payroll period with respect to an employee is weekly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$140.....	\$145.....	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$1.30
\$145.....	\$150.....	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150.....	\$160.....	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$160.....	\$170.....	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80
\$170.....	\$180.....	27.50	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30
\$180.....	\$190.....	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80
\$190.....	\$200.....	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30
\$200.....	\$210.....	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80
\$210.....	\$220.....	35.50	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30
\$220.....	\$230.....	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90
\$230.....	\$240.....	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60
\$240.....	\$250.....	41.50	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30
\$250.....	\$260.....	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00
\$260.....	\$270.....	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70
\$270.....	\$280.....	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40
\$280.....	\$290.....	49.50	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10
\$290.....	\$300.....	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80
\$300.....	\$310.....	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50
\$310.....	\$320.....	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50
\$320.....	\$330.....	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50
\$330.....	\$340.....	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50
\$340.....	\$350.....	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50
\$350.....	\$360.....	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50
\$360.....	\$370.....	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50
\$370.....	\$380.....	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50
\$380.....	\$390.....	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50
\$390.....	\$400.....	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50
\$400.....	\$410.....	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50
\$410.....	\$420.....	79.20	75.80	72.50	69.10	65.70	62.40	59.70	56.60	53.90	51.20	48.50
\$420.....	\$430.....	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50
\$430.....	\$440.....	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50
\$440.....	\$450.....	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50
\$450.....	\$460.....	90.80	86.80	82.70	79.10	75.70	72.40	69.00	65.60	62.30	59.20	56.50
\$460.....	\$470.....	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50
\$470.....	\$480.....	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50
\$480.....	\$490.....	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00
\$490.....	\$500.....	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50
\$500.....	\$510.....	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00
\$510.....	\$520.....	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50
\$520.....	\$530.....	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00
\$530.....	\$540.....	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50
\$540.....	\$550.....	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00
\$550.....	\$560.....	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50
\$560.....	\$570.....	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40
30 percent of the excess over \$570 plus—												
\$570 and over.....		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

"If the payroll period with respect to an employee is biweekly and he is not married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0.....	\$8.....	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	\$0.20	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.50	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	1.00	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.30	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.60	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.90	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.40	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.70	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	3.00	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.30	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.60	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.90	.10	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.20	.30	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.50	.60	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.80	.90	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	5.10	1.20	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.40	1.50	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.70	1.70	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	6.10	2.00	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.40	2.30	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.70	2.60	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	7.10	2.90	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.40	3.20	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.80	3.50	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	8.10	3.80	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$66.....	\$68.....	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$68.....	\$70.....	9.50	5.00	1.00	0	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is biweekly and he is not married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$70.....	\$72.....	\$9.80	\$5.30	\$1.30	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$72.....	\$74.....	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$74.....	\$76.....	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$78.....	\$80.....	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$80.....	\$82.....	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$82.....	\$84.....	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$84.....	\$86.....	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$86.....	\$88.....	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$88.....	\$90.....	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$90.....	\$92.....	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$92.....	\$94.....	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$94.....	\$96.....	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$96.....	\$98.....	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$98.....	\$100.....	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$100.....	\$102.....	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$102.....	\$104.....	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$104.....	\$106.....	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106.....	\$108.....	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108.....	\$110.....	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110.....	\$112.....	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112.....	\$114.....	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114.....	\$116.....	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116.....	\$118.....	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118.....	\$120.....	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120.....	\$122.....	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$122.....	\$124.....	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$124.....	\$126.....	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$126.....	\$128.....	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$128.....	\$130.....	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$130.....	\$132.....	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$132.....	\$134.....	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$134.....	\$136.....	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$136.....	\$138.....	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$138.....	\$140.....	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$140.....	\$142.....	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$142.....	\$144.....	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$144.....	\$146.....	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$146.....	\$148.....	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$148.....	\$150.....	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$150.....	\$152.....	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$152.....	\$154.....	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$154.....	\$156.....	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$156.....	\$158.....	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$158.....	\$160.....	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$160.....	\$162.....	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$162.....	\$164.....	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$164.....	\$166.....	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$166.....	\$168.....	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$168.....	\$170.....	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$170.....	\$172.....	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$172.....	\$174.....	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$174.....	\$176.....	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$280.....	\$290.....	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290.....	\$300.....	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300.....	\$320.....	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320.....	\$340.....	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340.....	\$360.....	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360.....	\$380.....	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380.....	\$400.....	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400.....	\$420.....	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420.....	\$440.....	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440.....	\$460.....	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460.....	\$480.....	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480.....	\$500.....	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500.....	\$520.....	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520.....	\$540.....	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540.....	\$560.....	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560.....	\$580.....	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580.....	\$600.....	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600.....	\$620.....	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620.....	\$640.....	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640.....	\$660.....	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660.....	\$680.....	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680.....	\$700.....	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700.....	\$720.....	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
		30 percent of the excess over \$720 plus—										
\$720 and over.....		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

"If the payroll period with respect an employee is biweekly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
		14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$8	\$0.20	0	0	0	0	0	0	0	0	0	0
\$8	\$10	.50	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.70	0	0	0	0	0	0	0	0	0	0
\$12	\$14	1.00	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.30	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.60	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.90	0	0	0	0	0	0	0	0	0	0
\$20	\$22	2.10	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.40	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.70	0	0	0	0	0	0	0	0	0	0
\$26	\$28	3.00	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.30	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.50	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.80	.10	0	0	0	0	0	0	0	0	0
\$34	\$36	4.10	.30	0	0	0	0	0	0	0	0	0
\$36	\$38	4.40	.60	0	0	0	0	0	0	0	0	0
\$38	\$40	4.70	.90	0	0	0	0	0	0	0	0	0
\$40	\$42	4.90	1.20	0	0	0	0	0	0	0	0	0
\$42	\$44	5.20	1.50	0	0	0	0	0	0	0	0	0
\$44	\$46	5.50	1.70	0	0	0	0	0	0	0	0	0
\$46	\$48	5.80	2.00	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.30	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.60	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.90	0	0	0	0	0	0	0	0	0
\$54	\$56	7.00	3.10	0	0	0	0	0	0	0	0	0
\$56	\$58	7.30	3.40	0	0	0	0	0	0	0	0	0
\$58	\$60	7.60	3.70	0	0	0	0	0	0	0	0	0
\$60	\$62	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$62	\$64	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$64	\$66	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$66	\$68	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$68	\$70	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$70	\$72	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$72	\$74	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$74	\$76	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$76	\$78	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$78	\$80	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$80	\$82	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$82	\$84	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$84	\$86	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$86	\$88	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$88	\$90	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$90	\$92	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$92	\$94	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$94	\$96	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$96	\$98	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$98	\$100	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$100	\$102	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$102	\$104	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$104	\$106	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$106	\$108	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$108	\$110	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$110	\$112	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$112	\$114	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$114	\$116	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$116	\$118	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$118	\$120	16.60	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$120	\$124	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$124	\$128	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$128	\$132	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$132	\$136	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$136	\$140	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$140	\$144	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$144	\$148	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$148	\$152	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$152	\$156	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$156	\$160	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$160	\$164	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$164	\$168	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$168	\$172	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$172	\$176	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$176	\$180	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$180	\$184	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$184	\$188	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$188	\$192	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$192	\$196	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$196	\$200	29.40	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$200	\$210	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$210	\$220	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$220	\$230	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$230	\$240	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$240	\$250	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

"If the payroll period with respect to an employee is biweekly and he is married—"

"And the wages are—"		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260	\$270	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270	\$280	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280	\$290	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290	\$300	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300	\$320	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320	\$340	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340	\$360	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360	\$380	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380	\$400	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400	\$420	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420	\$440	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440	\$460	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460	\$480	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480	\$500	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500	\$520	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520	\$540	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540	\$560	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560	\$580	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580	\$600	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600	\$620	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620	\$640	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640	\$660	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660	\$680	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680	\$700	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700	\$720	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720	\$740	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740	\$760	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760	\$780	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780	\$800	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800	\$820	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820	\$840	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840	\$860	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860	\$880	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880	\$900	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900	\$920	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920	\$940	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940	\$960	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960	\$980	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980	\$1,000	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000	\$1,020	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020	\$1,040	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040	\$1,060	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060	\$1,080	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080	\$1,100	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100	\$1,120	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120	\$1,140	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

"If the payroll period with respect to an employee is semimonthly and he is not married—"

"And the wages are—"		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	\$0.10	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.50	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.20	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.50	0	0	0	0	0	0	0	0	0
\$42	\$44	5.00	.80	0	0	0	0	0	0	0	0	0
\$44	\$46	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46	\$48	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48	\$50	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50	\$52	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52	\$54	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54	\$56	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56	\$58	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58	\$60	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60	\$62	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62	\$64	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64	\$66	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66	\$68	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68	\$70	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70	\$72	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72	\$74	10.00	5.01	.90	0	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is semimonthly and he is not married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$74	\$76	\$10.30	\$5.40	\$1.20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$76	\$78	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78	\$80	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80	\$82	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82	\$84	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84	\$86	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86	\$88	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88	\$90	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90	\$92	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92	\$94	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94	\$96	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96	\$98	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98	\$100	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100	\$102	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102	\$104	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104	\$106	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106	\$108	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108	\$110	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110	\$112	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112	\$114	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114	\$116	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116	\$118	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118	\$120	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120	\$124	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124	\$128	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128	\$132	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132	\$136	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136	\$140	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140	\$144	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144	\$148	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148	\$152	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152	\$156	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156	\$160	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160	\$164	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164	\$168	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168	\$172	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172	\$176	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176	\$180	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180	\$184	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184	\$188	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188	\$192	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192	\$196	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196	\$200	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200	\$210	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$210	\$220	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$220	\$230	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$230	\$240	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$240	\$250	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$250	\$260	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$260	\$270	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270	\$280	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280	\$290	49.00	43.20	37.40	31.50	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290	\$300	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300	\$320	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320	\$340	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340	\$360	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360	\$380	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380	\$400	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400	\$420	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420	\$440	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440	\$460	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460	\$480	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480	\$500	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500	\$520	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520	\$540	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540	\$560	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560	\$580	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580	\$600	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600	\$620	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620	\$640	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640	\$660	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660	\$680	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680	\$700	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700	\$720	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.30
\$720	\$740	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740	\$760	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.30
		30 percent of the excess over \$760 plus—										
\$760 and over		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

"If the payroll period with respect to an employee is semimonthly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0	\$8	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$8	\$0.10	0	0	0	0	0	0	0	0	0	0
\$8	\$10	.40	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.70	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.90	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.20	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.50	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.80	0	0	0	0	0	0	0	0	0	0
\$20	\$22	2.10	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.30	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.60	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.90	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.20	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.50	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.70	0	0	0	0	0	0	0	0	0	0
\$34	\$36	4.00	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.30	.20	0	0	0	0	0	0	0	0	0
\$38	\$40	4.60	.50	0	0	0	0	0	0	0	0	0
\$40	\$42	4.90	.80	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.10	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.30	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.60	0	0	0	0	0	0	0	0	0
\$48	\$50	6.00	1.90	0	0	0	0	0	0	0	0	0
\$50	\$52	6.30	2.20	0	0	0	0	0	0	0	0	0
\$52	\$54	6.60	2.50	0	0	0	0	0	0	0	0	0
\$54	\$56	6.90	2.70	0	0	0	0	0	0	0	0	0
\$56	\$58	7.20	3.00	0	0	0	0	0	0	0	0	0
\$58	\$60	7.50	3.30	0	0	0	0	0	0	0	0	0
\$60	\$62	7.80	3.60	0	0	0	0	0	0	0	0	0
\$62	\$64	8.10	3.90	0	0	0	0	0	0	0	0	0
\$64	\$66	8.40	4.10	0	0	0	0	0	0	0	0	0
\$66	\$68	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$68	\$70	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$70	\$72	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$72	\$74	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$74	\$76	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$76	\$78	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$78	\$80	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$80	\$82	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$82	\$84	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$84	\$86	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$86	\$88	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$88	\$90	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$90	\$92	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$92	\$94	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$94	\$96	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$96	\$98	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$98	\$100	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$100	\$102	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$102	\$104	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$104	\$106	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$106	\$108	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$108	\$110	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$110	\$112	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$112	\$114	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$114	\$116	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$116	\$118	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$118	\$120	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$120	\$124	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$124	\$128	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$128	\$132	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$132	\$136	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$136	\$140	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$140	\$144	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$144	\$148	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$148	\$152	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$152	\$156	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$156	\$160	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$164	\$168	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200	\$210	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0

"If the payroll period with respect to an employee is semimonthly and he is married—

"And the wages are—

And the number of withholding exemptions claimed is—

And the wages are		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be—										
\$270	\$280	\$41.40	\$36.50	\$31.50	\$26.50	\$22.10	\$17.70	\$13.30	\$9.00	\$4.70	\$0.60	\$0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290	\$300	\$300	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340	\$360	\$340	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360	\$380	\$360	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380	\$400	\$400	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400	\$420	\$420	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420	\$440	\$440	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440	\$460	\$460	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10
\$460	\$480	\$480	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480	\$500	\$500	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500	\$520	\$520	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520	\$540	\$540	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540	\$560	\$560	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560	\$580	\$580	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580	\$600	\$600	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600	\$620	\$620	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620	\$640	\$640	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640	\$660	\$660	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60
\$660	\$680	\$680	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680	\$700	\$700	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700	\$720	\$720	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720	\$740	\$740	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740	\$760	\$760	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760	\$780	\$780	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780	\$800	\$800	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800	\$820	\$820	142.00	134.00	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820	\$840	\$840	147.00	139.00	133.20	127.30	121.50	115.70	109.80	104.00	98.20	92.30
\$840	\$860	\$860	152.00	144.00	138.20	132.30	126.50	120.70	114.80	109.00	103.20	97.30
\$860	\$880	\$880	157.00	149.00	143.20	137.30	131.50	125.70	119.80	114.00	108.20	102.30
\$880	\$900	\$900	162.00	154.00	148.20	142.30	136.50	130.70	124.80	119.00	113.20	107.30
\$900	\$920	\$920	167.00	159.00	153.20	147.30	141.50	135.70	129.80	124.00	118.20	112.30
\$920	\$940	\$940	172.00	164.00	158.20	152.30	146.50	140.70	134.80	129.00	123.20	117.30
\$940	\$960	\$960	177.00	169.00	163.20	157.30	151.50	145.70	139.80	134.00	128.20	122.30
\$960	\$980	\$980	183.20	174.00	168.20	162.30	156.50	150.70	144.80	139.00	133.20	127.30
\$980	\$1,000	\$1,000	189.20	180.00	174.00	168.00	162.00	156.00	150.00	144.00	138.00	132.00
\$1,000	\$1,020	\$1,020	195.20	186.00	180.00	174.00	168.00	162.00	156.00	150.00	144.00	138.00
\$1,020	\$1,040	\$1,040	201.20	192.00	186.00	180.00	174.00	168.00	162.00	156.00	150.00	144.00
\$1,040	\$1,060	\$1,060	207.20	198.00	192.00	186.00	180.00	174.00	168.00	162.00	156.00	150.00
\$1,060	\$1,080	\$1,080	213.20	204.00	198.00	192.00	186.00	180.00	174.00	168.00	162.00	156.00
\$1,080	\$1,100	\$1,100	219.20	210.00	204.00	198.00	192.00	186.00	180.00	174.00	168.00	162.00
\$1,100	\$1,120	\$1,120	225.20	216.00	210.00	204.00	198.00	192.00	186.00	180.00	174.00	168.00
\$1,120	\$1,140	\$1,140	231.20	222.00	216.00	210.00	204.00	198.00	192.00	186.00	180.00	174.00
\$1,140	\$1,160	\$1,160	237.20	228.00	222.00	216.00	210.00	204.00	198.00	192.00	186.00	180.00
\$1,160	\$1,180	\$1,180	243.20	234.00	228.00	222.00	216.00	210.00	204.00	198.00	192.00	186.00
\$1,180	\$1,200	\$1,200	249.20	240.00	234.00	228.00	222.00	216.00	210.00	204.00	198.00	192.00
\$1,200	\$1,220	\$1,220	255.20	246.00	240.00	234.00	228.00	222.00	216.00	210.00	204.00	198.00
30 percent of the excess over \$1,220 plus—												
\$1,220 and over		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

"If the payroll period with respect to an employee is monthly and he is not married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$120	\$124	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124	\$128	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128	\$132	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132	\$136	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136	\$140	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140	\$144	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144	\$148	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148	\$152	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152	\$156	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156	\$160	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160	\$164	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164	\$168	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168	\$172	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172	\$176	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176	\$180	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180	\$184	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184	\$188	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188	\$192	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192	\$196	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196	\$200	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200	\$204	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204	\$208	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208	\$212	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212	\$216	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216	\$220	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220	\$224	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224	\$228	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228	\$232	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232	\$236	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236	\$240	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240	\$244	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$244	\$248	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$248	\$256	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0
\$256	\$264											

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.50	3.00	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0
\$480	\$500	82.10	70.40	58.60	48.60	38.70	28.80	18.90	9.30	.90	0	0
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.20	166.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60
		30 percent of the excess over \$1,520 plus—										
\$1,520 and over		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60

"If the payroll period with respect to an employee is monthly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0	\$16	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$16	\$0.20	0	0	0	0	0	0	0	0	0	0
\$16	\$20	.70	0	0	0	0	0	0	0	0	0	0
\$20	\$24	1.30	0	0	0	0	0	0	0	0	0	0
\$24	\$28	1.90	0	0	0	0	0	0	0	0	0	0
\$28	\$32	2.40	0	0	0	0	0	0	0	0	0	0
\$32	\$36	3.00	0	0	0	0	0	0	0	0	0	0
\$36	\$40	3.50	0	0	0	0	0	0	0	0	0	0
\$40	\$44	4.10	0	0	0	0	0	0	0	0	0	0
\$44	\$48	4.70	0	0	0	0	0	0	0	0	0	0
\$48	\$52	5.20	0	0	0	0	0	0	0	0	0	0
\$52	\$56	5.80	0	0	0	0	0	0	0	0	0	0
\$56	\$60	6.30	0	0	0	0	0	0	0	0	0	0
\$60	\$64	6.90	0	0	0	0	0	0	0	0	0	0
\$64	\$68	7.50	0	0	0	0	0	0	0	0	0	0
\$68	\$72	8.00	0	0	0	0	0	0	0	0	0	0
\$72	\$76	8.60	.40	0	0	0	0	0	0	0	0	0
\$76	\$80	9.10	1.00	0	0	0	0	0	0	0	0	0
\$80	\$84	9.70	1.50	0	0	0	0	0	0	0	0	0
\$84	\$88	10.30	2.10	0	0	0	0	0	0	0	0	0
\$88	\$92	10.80	2.70	0	0	0	0	0	0	0	0	0
\$92	\$96	11.40	3.20	0	0	0	0	0	0	0	0	0
\$96	\$100	12.00	3.80	0	0	0	0	0	0	0	0	0
\$100	\$104	12.60	4.30	0	0	0	0	0	0	0	0	0
\$104	\$108	13.20	4.90	0	0	0	0	0	0	0	0	0
\$108	\$112	13.80	5.50	0	0	0	0	0	0	0	0	0
\$112	\$116	14.40	6.00	0	0	0	0	0	0	0	0	0
\$116	\$120	15.00	6.60	0	0	0	0	0	0	0	0	0
\$120	\$124	15.60	7.10	0	0	0	0	0	0	0	0	0
\$124	\$128	16.20	7.70	0	0	0	0	0	0	0	0	0
\$128	\$132	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$132	\$136	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$136	\$140	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$140	\$144	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$144	\$148	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$148	\$152	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$152	\$156	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$156	\$160	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$160	\$164	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$164	\$168	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$168	\$172	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$172	\$176	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$176	\$180	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$180	\$184	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$184	\$188	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$188	\$192	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$192	\$196	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$196	\$200	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$200	\$204	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$204	\$208	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$208	\$212	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$212	\$216	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$216	\$220	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$220	\$224	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$224	\$228	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$228	\$232	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$232	\$236	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$236	\$240	33.00	24.20	15.50	7.10	0	0	0	0	0	0	0
\$240	\$244	33.60	24.80	16.10	7.70	0	0	0	0	0	0	0
\$244	\$248	34.20	25.40	16.70	8.30	.30	0	0	0	0	0	0
\$248	\$252	34.80	26.00	17.30	8.90	1.40	0	0	0	0	0	0
\$252	\$256	35.40	26.60	17.90	9.50	2.50	0	0	0	0	0	0
\$256	\$260	36.00	27.20	18.50	10.10	3.60	0	0	0	0	0	0
\$260	\$264	36.60	27.80	19.10	10.70	4.70	0	0	0	0	0	0
\$264	\$268	37.20	28.40	19.70	11.30	5.80	0	0	0	0	0	0
\$268	\$272	37.80	29.00	20.30	11.90	6.90	0	0	0	0	0	0
\$272	\$276	38.40	29.60	20.90	12.50	8.00	0	0	0	0	0	0
\$276	\$280	39.00	30.20	21.50	13.10	9.10	0	0	0	0	0	0
\$280	\$284	39.60	30.80	22.10	13.70	10.20	0	0	0	0	0	0
\$284	\$288	40.20	31.40	22.70	14.30	11.30	0	0	0	0	0	0
\$288	\$292	40.80	32.00	23.30	14.90	12.40	0	0	0	0	0	0
\$292	\$296	41.40	32.60	23.90	15.50	13.50	0	0	0	0	0	0
\$296	\$300	42.00	33.20	24.50	16.10	14.60	0	0	0	0	0	0
\$300	\$304	42.60	33.80	25.10	16.70	15.70	1.10	0	0	0	0	0
\$304	\$308	43.20	34.40	25.70	17.30	16.80	2.20	0	0	0	0	0
\$308	\$312	43.80	35.00	26.30	17.90	17.90	0	0	0	0	0	0
\$312	\$316	44.40	35.60	26.90	18.50	19.00	0	0	0	0	0	0
\$316	\$320	45.00	36.20	27.50	19.10	20.10	0	0	0	0	0	0

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$408	58.10	48.50	39.80	31.00	22.30	13.40	5.20	0	0	0	0
\$408	\$416	59.50	49.70	41.00	32.20	23.50	14.50	6.30	0	0	0	0
\$416	\$424	60.90	50.90	42.20	33.40	24.70	15.60	7.40	0	0	0	0
\$424	\$432	62.30	52.10	43.40	34.60	25.90	16.70	8.50	.70	0	0	0
\$432	\$440	63.70	53.30	44.60	35.80	27.10	17.80	9.60	1.70	0	0	0
\$440	\$448	65.10	54.50	45.80	37.00	28.30	18.90	10.70	2.80	0	0	0
\$448	\$456	66.50	55.70	47.00	38.20	29.50	20.00	11.80	3.90	0	0	0
\$456	\$464	67.90	56.90	48.20	39.40	30.70	21.10	12.90	5.00	0	0	0
\$464	\$472	69.30	58.10	49.40	40.60	31.90	22.30	14.00	6.10	0	0	0
\$472	\$480	70.70	59.30	50.60	41.80	33.10	23.50	15.10	7.20	0	0	0
\$480	\$488	72.10	60.50	51.80	43.00	34.30	24.70	16.20	8.30	0	0	0
\$488	\$496	73.50	61.70	53.00	44.20	35.50	25.90	17.30	9.40	0	0	0
\$496	\$504	74.90	62.90	54.20	45.40	36.70	27.10	18.40	10.50	0	0	0
\$504	\$512	76.30	64.10	55.40	46.60	37.90	28.30	19.50	11.60	0	0	0
\$512	\$520	77.70	65.30	56.60	47.80	39.10	29.50	20.60	12.70	0	0	0
\$520	\$528	79.10	66.50	57.80	49.00	40.30	30.70	21.70	13.80	0	0	0
\$528	\$536	80.50	67.70	59.00	50.20	41.50	31.90	22.80	14.90	0	0	0
\$536	\$544	81.90	68.90	60.20	51.40	42.70	33.10	23.90	16.00	0	0	0
\$544	\$552	83.30	70.10	61.40	52.60	43.90	34.30	25.10	17.10	0	0	0
\$552	\$560	84.70	71.30	62.60	53.80	45.10	35.50	26.20	18.20	0	0	0
\$560	\$568	86.10	72.50	63.80	55.00	46.30	36.70	27.30	19.30	0	0	0

"If the payroll period with respect to an employee is monthly and he is married—

"And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$580	\$600	\$89.60	\$79.70	\$69.80	\$59.90	\$50.20	\$41.40	\$32.70	\$23.90	\$15.20	\$6.80	\$0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.60	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	267.30	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	275.30	263.70	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	283.30	271.70	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	291.30	279.70	268.00	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	300.30	288.70	277.00	265.30	253.70	242.00	230.30	218.70	207.00	195.30	183.70
\$1,680	\$1,720	308.30	296.70	285.00	273.30	261.70	250.00	238.30	226.70	215.00	203.30	191.70
\$1,720	\$1,760	316.30	304.70	293.00	281.30	269.70	258.00	246.30	234.70	223.00	211.30	199.70
\$1,760	\$1,800	324.30	312.70	301.00	289.30	277.70	266.00	254.30	242.70	231.00	219.30	207.70
\$1,800	\$1,840	332.30	320.70	309.00	297.30	285.70	274.00	262.30	250.70	239.00	227.30	215.70
\$1,840	\$1,880	340.30	328.70	317.00	305.30	293.70	282.00	270.30	258.70	247.00	235.30	223.70
\$1,880	\$1,920	348.30	336.70	325.00	313.30	301.70	290.00	278.30	266.70	255.00	243.30	231.70
\$1,920	\$1,960	356.30	344.70	333.00	321.30	309.70	298.00	286.30	274.70	263.00	251.30	239.70
\$1,960	\$2,000	364.30	352.70	341.00	329.30	317.70	306.00	294.30	282.70	271.00	259.30	247.70
\$2,000	\$2,040	372.30	360.70	349.00	337.30	325.70	314.00	302.30	290.70	279.00	267.30	255.70
\$2,040	\$2,080	380.30	368.70	357.00	345.30	333.70	322.00	310.30	298.70	287.00	275.30	263.70
\$2,080	\$2,120	388.30	376.70	365.00	353.30	341.70	330.00	318.30	306.70	295.00	283.30	271.70
\$2,120	\$2,160	396.30	384.70	373.00	361.30	349.70	338.00	326.30	314.70	303.00	291.30	279.70
\$2,160	\$2,200	404.30	392.70	381.00	369.30	357.70	346.00	334.30	322.70	311.00	299.30	287.70
\$2,200	\$2,240	412.30	400.70	389.00	377.30	365.70	354.00	342.30	330.70	319.00	307.30	295.70
\$2,240	\$2,280	420.30	408.70	397.00	385.30	373.70	362.00	350.30	338.70	327.00	315.30	303.70
\$2,280	\$2,320	428.30	416.70	405.00	393.30	381.70	370.00	358.30	346.70	335.00	323.30	311.70
\$2,320	\$2,360	436.30	424.70	413.00	401.30	389.70	378.00	366.30	354.70	343.00	331.30	319.70
\$2,360	\$2,400	444.30	432.70	421.00	409.30	397.70	386.00	374.30	362.70	351.00	339.30	327.70
\$2,400	\$2,440	452.30	440.70	429.00	417.30	405.70	394.00	382.30	370.70	359.00	347.30	335.70
30 percent of the excess over \$2,440 plus—												
\$2,440 and over		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

"And the wages divided by the number of days in such period are—"		And the number of withholding exemptions claimed is—									
		0	1	2	3	4	5	6	7	8	9 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—									
\$9.00	\$9.25	\$1.40	\$1.05	\$.75	\$.40	\$.15	\$0	\$0	\$0	\$0	\$0
\$9.25	\$9.50	1.45	1.10	.80	.45	.15	0	0	0	0	0
\$9.50	\$9.75	1.45	1.15	.80	.50	.20	0	0	0	0	0
\$9.75	\$10.00	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$10.00	\$10.50	1.60	1.25	.95	.60	.30	0	0	0	0	0
\$10.50	\$11.00	1.65	1.35	1.00	.70	.35	.10	0	0	0	0
\$11.00	\$11.50	1.75	1.40	1.10	.75	.45	.15	0	0	0	0
\$11.50	\$12.00	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$12.00	\$12.50	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0
\$12.50	\$13.00	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$13.00	\$13.50	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0
\$13.50	\$14.00	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0
\$14.00	\$14.50	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0
\$14.50	\$15.00	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0
\$15.00	\$15.50	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0
\$15.50	\$16.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0
\$16.00	\$16.50	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0
\$16.50	\$17.00	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0
\$17.00	\$17.50	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0
\$17.50	\$18.00	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0
\$18.00	\$18.50	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05
\$18.50	\$19.00	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15
\$19.00	\$19.50	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20
\$19.50	\$20.00	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30
\$20.00	\$21.00	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40
\$21.00	\$22.00	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55
\$22.00	\$23.00	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75
\$23.00	\$24.00	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90
\$24.00	\$25.00	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05
\$25.00	\$26.00	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25
\$26.00	\$27.00	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40
\$27.00	\$28.00	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60
\$28.00	\$29.00	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75
\$29.00	\$30.00	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90
\$30.00	\$31.00	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10
\$31.00	\$32.00	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30
\$32.00	\$33.00	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50
\$33.00	\$34.00	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70
\$34.00	\$35.00	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90
\$35.00	\$36.00	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10
\$36.00	\$37.00	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30
\$37.00	\$38.00	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50
\$38.00	\$39.00	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.55	4.10	3.70
\$39.00	\$40.00	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90
\$40.00	\$41.00	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10
\$41.00	\$42.00	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35
\$42.00	\$43.00	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60
\$43.00	\$44.00	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85
\$44.00	\$45.00	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10
\$45.00	\$46.00	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35
\$46.00	\$47.00	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60
\$47.00	\$48.00	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85
\$48.00	\$49.00	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15
\$49.00	\$50.00	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45
		30 percent of the excess over \$50 plus—									
\$50 and over		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

"And the wages divided by the number of days in such period are—"		And the number of withholding exemptions claimed is—									
		0	1	2	3	4	5	6	7	8	9 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—									
\$0	\$0.75	14% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$.75	\$1.00	\$0.05	0	0	0	0	0	0	0	0	0
\$1.00	\$1.25	.10	0	0	0	0	0	0	0	0	0
\$1.25	\$1.50	.10	0	0	0	0	0	0	0	0	0
\$1.50	\$1.75	.15	0	0	0	0	0	0	0	0	0
\$1.75	\$2.00	.20	0	0	0	0	0	0	0	0	0
\$2.00	\$2.25	.20	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.25	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.30	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.35	.05	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.35	.10	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.40	.15	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.45	.15	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.45	.20	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.50	.25	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.55	.25	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.60	.30	.05	0	0	0	0	0	0	0
\$4.75	\$5.00	.60	.35	.05	0	0	0	0	0	0	0
\$5.00	\$5.25	.65	.35	.10	0	0	0	0	0	0	0
\$5.25	\$5.50	.70	.40	.15	0	0	0	0	0	0	0
\$5.50	\$5.75	.75	.45	.15	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is daily payroll period or a miscellaneous payroll period and he is married—

"And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$5.75	\$6.00	\$.75	\$.50	\$.20	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$6.00	\$6.25	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25	\$6.50	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50	\$6.75	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75	\$7.00	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00	\$7.25	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25	\$7.50	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50	\$7.75	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75	\$8.00	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00	\$8.25	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25	\$8.50	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50	\$8.75	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75	\$9.00	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00	\$9.25	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25	\$9.50	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50	\$9.75	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75	\$10.00	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00	\$10.50	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50	\$11.00	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00	\$11.50	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50	\$12.00	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00	\$12.50	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50	\$13.00	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00	\$13.50	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50	\$14.00	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0
\$14.00	\$14.50	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50	\$15.00	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00	\$15.50	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50	\$16.00	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00	\$16.50	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50	\$17.00	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00	\$17.50	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50	\$18.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00	\$18.50	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50	\$19.00	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00	\$19.50	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50	\$20.00	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00	\$21.00	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00	\$22.00	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00	\$23.00	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00	\$24.00	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00	\$25.00	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70
\$25.00	\$26.00	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.40	1.15	0.85
\$26.00	\$27.00	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00	\$28.00	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00	\$29.00	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00	\$30.00	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00	\$31.00	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00	\$32.00	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00	\$33.00	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00	\$34.00	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00	\$35.00	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00	\$36.00	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00	\$37.00	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00	\$38.00	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00	\$39.00	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00	\$40.00	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00	\$41.00	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00	\$42.00	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00	\$43.00	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00	\$44.00	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00	\$45.00	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00	\$46.00	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00	\$47.00	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00	\$48.00	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00	\$49.00	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00	\$50.00	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00	\$51.00	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00	\$52.00	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00	\$53.00	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00	\$54.00	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00	\$55.00	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00	\$56.00	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00	\$57.00	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00	\$58.00	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00	\$59.00	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00	\$60.00	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00	\$61.00	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00	\$62.00	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00	\$63.00	12.25	11.65	11.15	10.70	10.20						

(d) DISCLOSURE OF MARITAL STATUS; DETERMINATION OF MARITAL STATUS; TREATMENT OF SURVIVING SPOUSE.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(1) DETERMINATION AND DISCLOSURE OF MARITAL STATUS.—

“(1) DETERMINATION OF STATUS BY EMPLOYER.—For purposes of applying the tables in subsections (a) and (c) to a payment of wages, the employer shall treat the employee as a single person unless there is in effect with respect to such payment of wages a withholding exemption certificate furnished to the employer by the employee after the date of the enactment of this subsection indicating that the employee is married.

“(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An employee shall be entitled to furnish the employer with a withholding exemption certificate indicating he is married only if, on the day of such furnishing, he is married (determined with the application of the rules in paragraph (3)). An employee whose marital status changes from married to single shall, at such time as the Secretary or his delegate may by regulations prescribe, furnish the employer with a new withholding exemption certificate.

“(3) DETERMINATION OF MARITAL STATUS.—For purposes of paragraph (2), an employee shall on any day be considered—

“(A) as not married, if (i) he is legally separated from his spouse under a decree of divorce or separate maintenance, or (ii) either he or his spouse is, or on any preceding day within the calendar year was, a nonresident alien; or

“(B) as married, if (i) his spouse (other than a spouse referred to in subparagraph (A)) died within the portion of his taxable year which precedes such day, or (ii) his spouse died during one of the two taxable years immediately preceding the current taxable year and, on the basis of facts existing at the beginning of such day, the employee reasonably expects, at the close of his taxable year, to be a surviving spouse (as defined in section 2(b)).”

(e) WITHHOLDING ALLOWANCES FOR ITEMIZED DEDUCTIONS.—

(1) ALLOWANCE.—Section 3402(f)(1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of—

“(A) his estimated itemized deductions, over

“(B) an amount equal to the sum of 12 percent of the first \$7,500 of his estimated wages and 17 percent of the remainder of his estimated wages.

For purposes of this subsection, fractional numbers shall not be taken into account.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) ESTIMATED ITEMIZED DEDUCTIONS.—

The term ‘estimated itemized deductions’ means the aggregate amount which he reasonably expects will be allowable as deductions under chapter 1 (other than the deductions referred to in sections 141 and 151 and other than the deductions required to be taken into account in determining adjusted gross income under section 62) for the estimation year. In no case shall such aggregate amount be greater than the amount of such deductions shown on his return of tax under subtitle A for the taxable year preceding the estimation year.

“(B) ESTIMATED WAGES.—The term ‘estimated wages’ means the aggregate amount which he reasonably expects will constitute wages for the estimation year. In no case shall such aggregate amount be less than the amount of wages shown on his return for the taxable year preceding the estimation year.

“(C) ESTIMATION YEAR.—In the case of an employee who files his return on the basis of a calendar year, the term ‘estimation year’ means—

“(i) with respect to payments of wages after April 30 and on or before December 31 of any calendar year, such calendar year, and

“(ii) with respect to payments of wages on or after January 1 and before May 1 of any calendar year, the preceding calendar year (or, if the employee has filed a return for the preceding calendar year, and if he has in effect a withholding allowance under this subsection based on using the current calendar year as the estimation year, such current calendar year).

In the case of an employee who files his return on a basis other than the calendar year, his estimation year, and the amounts deducted and withheld to be governed by such estimation year, shall be determined under regulations prescribed by the Secretary or his delegate.

“(3) SPECIAL RULES.—

“(A) MARRIED INDIVIDUALS.—The number of withholding allowances to which a husband and wife are entitled under this subsection shall be determined on the basis of their combined wages and deduction. This subparagraph shall not apply to a husband and wife who filed separate returns for the taxable year preceding the estimation year and who reasonably expect to file separate returns for the estimation year.

“(B) ONLY ONE CERTIFICATE TO BE IN EFFECT.—In the case of any employee, withholding allowances under this subsection may not be claimed with more than one employer at any one time.

“(C) TERMINATION OF EFFECTIVENESS.—In the case of an employee who files his return on the basis of a calendar year, that portion of a withholding exemption certificate which relates to allowances under this subsection shall not be effective with respect to payments of wages after the first April 30 following the close of the estimation year on which it is based.

“(D) LIMITATION.—The Secretary or his delegate may by regulations provide that one or more of the withholding allowances to which an employee would, but for this subparagraph, be entitled under this subsection shall be denied because such employee's estimated wages are above the level at which the amounts deducted and withheld under this chapter are generally sufficient to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld.

“(E) AUTHORITY TO PRESCRIBE TABLES.—The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. Such tables may be based on reasonable wage and itemized deduction brackets.

“(F) TREATMENT OF ALLOWANCES.—For purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding exemption.”

(3) STATUS DETERMINATION DATE.—The last sentence of section 3402(f)(3)(B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) CIVIL PENALTY.—

(A) Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

“SEC. 6682. FALSE INFORMATION WITH RESPECT TO WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.

“(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if any individual in claiming a withholding allowance under section 3402(f)(1)(F) states (1) that the wages (within the meaning of chapter 24) shown on his return for any taxable year were less than such wages actually shown, or (2) that the itemized deductions referred to in section 3402(m) on the return for any taxable year were greater than such deductions actually shown, he shall pay a penalty of \$50 for each such statement, unless (1) such statement did not result in a decrease in the amounts deducted and withheld under chapter 24, or (2) the taxes imposed with respect to the individual under subtitle A for the succeeding taxable year do not exceed the sum of (A) the credits against such taxes allowed by part IV of subchapter A of chapter 1, and (B) the payments of estimated tax which are considered payments on account of such taxes.

“(b) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, and gift taxes), shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

“Sec. 6682. False information with respect to withholding allowances based on itemized deductions.”

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended—

(A) by striking out “section 3402(f)” and inserting in lieu thereof “section 3402”, and

(B) by striking out “any penalty otherwise provided” and inserting in lieu thereof “any other penalty provided by law (except the penalty provided by section 6682).”

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402(f)(3)(B) of the Internal Revenue Code of 1954, a withholding exemption certificate furnished the employer after the date of the enactment of this Act and before May 1, 1966, shall take effect with respect to the first payment of wages made on or after May 1, 1966, or the 10th day after the date on which such certificate is furnished to the employer, whichever is later, and at the election of the employer such certificate may be made effective with respect to any payment of wages made on or after the date on which such certificate is furnished.

(g) EFFECTIVE DATE.—The amendments made by this section (other than subsection (e)) shall apply only with respect to remuneration paid after April 30, 1966.

Sec. 102. Estimated Tax in Case of Individuals.

(a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTIMATED TAX.—Section 6015(c) (relating to definition of estimated tax in the case of an individual) is amended to read as follows:

"(c) ESTIMATED TAX.—For purposes of this title, in the case of an individual, the term 'estimated tax' means—

"(1) the amount which the individual estimates as the amount of the income tax imposed by chapter 1 for the taxable year, plus

"(2) the amount which the individual estimates as the amount of the self-employment tax imposed by chapter 2 for the taxable year, minus

"(3) the amount which the individual estimates as the sum of any credits against tax provided by part IV of subchapter A of chapter 1."

(b) ADDITION TO TAX FOR UNDERPAYMENT OF ESTIMATED TAX.—

(1) Section 6654(a) (relating to addition to the tax for underpayment of estimated tax by an individual) is amended by inserting after "chapter 1" the following: "and the tax under chapter 2".

(2) Section 6654(d) is amended to read as follows:

"(d) EXCEPTION.—Notwithstanding the provisions of the preceding subsections, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

"(1) The tax shown on the return of the individual for the preceding taxable year, if a return showing a liability for tax was filed by the individual for the preceding taxable year and such preceding year was a taxable year of 12 months.

"(2) An amount equal to 70 percent (66⅔ percent in the case of individuals referred to in section 6073(b), relating to income from farming or fishing) of the tax for the taxable year computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid and by taking into account the adjusted self-employment income (if the net earnings from self-employment (as defined in section 1402(a)) for the taxable year equal or exceed \$400). For purposes of this paragraph—

"(A) The taxable income shall be placed on an annualized basis by—

"(i) multiplying by 12 (or, in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income (computed without deduction of personal exemptions) for the months in the taxable year ending before the month in which the installment is required to be paid,

"(ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, and

"(iii) deducting from such amount the deductions for personal exemptions allowable for the taxable year (such personal exemptions being determined as of the last date prescribed for payment of the installment).

"(B) The term 'adjusted self-employment income' means—

"(i) the net earnings from self-employment (as defined in section 1402(a)) for the months in the taxable year ending before the month in which the installment is required to be paid, but not more than

"(ii) the excess of \$6,600 over the amount determined by placing the wages (within the meaning of section 1402(b)) for the

months in the taxable year ending before the month in which the installment is required to be paid on an annualized basis in a manner consistent with clauses (1) and (ii) of subparagraph (A).

"(3) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income and the actual self-employment income for the months in the taxable year ending before the month in which the installment is required to be paid as if such months constituted the taxable year.

"(4) An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer's status with respect to personal exemptions under section 151 for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to, the preceding taxable year."

(3) Section 6654(f) (relating to definition of tax for purposes of subsections (b) and (d) of section 6654) is amended to read as follows:

"(f) TAX COMPUTED AFTER APPLICATION OF CREDITS AGAINST TAX.—For purposes of subsections (b) and (d), the term 'tax' means—

"(1) the tax imposed by this chapter 1, plus

"(2) the tax imposed by chapter 2, minus

"(3) the credits against tax allowed by part IV of subchapter A of chapter 1, other than the credit against tax provided by section 31 (relating to tax withheld on wages)."

(4) Section 7701(a) (relating to definitions) is amended by adding at the end thereof the following new paragraph:

"(34) ESTIMATED INCOME TAX.—The term 'estimated income tax' means—

"(A) in the case of an individual, the estimated tax as defined in section 6015(c), or

"(B) in the case of a corporation, the estimated tax as defined in section 6016(b)."

(5) Section 1403(b) (cross references) is amended by adding at the end thereof the following new paragraph:

"(3) For provisions relating to declarations of estimated tax on self-employment income, see section 6015."

(c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402(e)(3) (relating to effective date of waiver certificates) is amended by adding at the end thereof the following new subparagraph:

"(E) For purposes of sections 6015 and 6654, a waiver certificate described in paragraph (1) shall be treated as taking effect on the first day of the first taxable year beginning after the date on which such certificate is filed."

(d) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply with respect to taxable years beginning after December 31, 1966.

Sec. 103. Underpayment of installments of estimated income tax in case of individuals.

(a) IN GENERAL.—Section 6654(b) (relating to amount of underpayment), and section 6654(d) (relating to exception) as amended by section 102(b)(2) of this Act, are amended by striking out "70 percent" each place it appears and inserting in lieu thereof "80 percent".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

Sec. 104. Installment payments of estimated income tax by corporations.

(a) IN GENERAL.—Subsection (a) of section 6154 (relating to installment payments of estimated income tax by corporations) is amended to read as follows:

"(a) AMOUNT AND TIME FOR PAYMENT OF EACH INSTALLMENT.—The amount of estimated tax (as defined in section 6016(b)) with respect to which a declaration is required under section 6016 shall be paid as follows:

"(1) TAXABLE YEARS BEGINNING IN 1966.—With respect to taxable years beginning after December 31, 1965, and before January 1, 1967, such estimated tax shall be paid in installments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—"	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

"(2) TAXABLE YEARS BEGINNING AFTER 1966.—With respect to taxable years beginning after December 31, 1966, such estimated tax shall

be paid in installments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—"	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33⅓	33⅓	33⅓
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

"(3) TIMELY FILING.—A declaration is timely filed for the purposes of paragraphs (1) and (2) if it is not required by section 6074(a) to be filed on a date (determined without regard to any extension of time for

filing the declaration under section 6081) before the date it is actually filed.

"(4) LATE FILING.—If the declaration is filed after the time prescribed in section 6074(a) (determined without regard to any

extension of time for filing the declaration under section 6081), there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 6074(a), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1965.

TITLE II—POSTPONEMENT OF CERTAIN EXCISE TAX RATE REDUCTIONS

Sec. 201. Passenger Automobiles.

(a) **POSTPONEMENT OF RATE REDUCTIONS.**—Subparagraph (A) of section 4061(a) (2) (relating to imposition of tax) is amended to read as follows:

"(A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

"7 percent for the period beginning with the day after the date of the enactment of the Tax Adjustment Act of 1966 through March 31, 1968.

"2 percent for the period April 1, 1968, through December 31, 1968.

"1 percent for the period after December 31, 1968."

(b) **FLOOR STOCKS TAX.**—Section 4226 (relating to floor stocks taxes) is amended—

(1) By adding at the end of subsection (a) the following new paragraph:

"(8) **1966 TAX ON AUTOMOBILES.**—On any article subject to tax under section 4061(a) (2) which on the day after the date of the enactment of the Tax Adjustment Act of 1966 is held by a dealer and has not been used and is intended for sale, there is imposed a floor stocks tax at the rate of 1 percent of the price for which the article was sold by the manufacturer, producer, or importer. Under regulations prescribed by the Secretary or his delegate, the tax imposed under this paragraph shall be paid by such dealer and shall be collected from him by the manufacturer, producer, or importer."

(2) By amending subsection (d)—

(A) by striking out "and except" and inserting in lieu thereof "except", and

(B) by striking out "delegate." and inserting in lieu thereof "delegate, and except that the tax imposed by paragraph (8) shall be paid at such time after 60 days after the date of enactment of the Tax Adjustment Act of 1966 as may be prescribed by the Secretary or his delegate."

(c) **CONFORMING AMENDMENTS.**—

(1) Section 6412(a) (1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1966, 1967, 1968, or 1969," and inserting in lieu thereof "January 1, 1966, April 1, 1968, or January 1, 1969,".

(2) Section 209(c) (1) (G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out "section 4226(a)" and inserting in lieu thereof "section 4226(a) (other than paragraph (8) thereof)".

(d) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

Sec. 202. Communication Services.

(a) **POSTPONEMENT OF RATE REDUCTIONS.**—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a) (2) and inserting in lieu thereof:

"(2) The rate of tax referred to in paragraph (1) is as follows:

"Amounts paid pursuant to bills first rendered—	Percent
"Before April 1, 1968.....	10
"After March 31, 1968, and before January 1, 1969.....	1"

(2) By striking out subsection (c) and inserting in lieu thereof:

"(c) **SPECIAL RULE.**—For purposes of subsection (a), in the case of communications services rendered before February 1, 1968, for which a bill has not been rendered before April 1, 1968, a bill shall be treated as having been first rendered on March 31, 1968. For purposes of subsections (a) and (b), in the case of communications services rendered after January 31, 1968, and before November 1, 1968, for which a bill has not been rendered before January 1, 1969, a bill shall be treated as having been first rendered on December 31, 1968."

(b) **NONPROFIT HOSPITALS.**—Section 4253 (relating to exemptions from tax on communications) is amended by adding at the end thereof the following new subsection:

"(h) **NONPROFIT HOSPITALS.**—No tax shall be imposed under section 4251 on any amount paid by a nonprofit hospital for services furnished to such organization. For purposes of this subsection, the term 'nonprofit hospital' means a hospital referred to in section 503(b) (5) which is exempt from income tax under section 501(a)."

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to amounts paid pursuant to bills first rendered on or after the first day of the first month which begins more than 15 days after the date on which this Act is enacted for services rendered on or after such first day. In the case of amounts paid pursuant to bills rendered on or after such first day for services which were rendered before such first day and for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such first day. In the case of services rendered more than 2 months before such first day, the provisions of subchapter B of chapter 33 of the Code in effect at the time such services were rendered, subject to the provision of section 701(b) (2) of the Excise Tax Reduction Act of 1965, shall apply to the amounts paid for such services.

The **CHAIRMAN.** Are there any committee amendments?

COMMITTEE AMENDMENT OFFERED BY MR. MILLS

Mr. **MILLS.** Mr. Chairman, I have two such committee amendments, the first of which is on page 32 of the bill.

The Clerk read as follows:

Committee amendment offered by Mr. **MILLS:** Page 32, strike out lines 5 and 6 and insert in lieu thereof the following:

"If the number determined under the preceding sentence is not a whole number, the fraction shall be disregarded; except that, if the number determined is one-half or more but less than one, it shall be increased to one."

Mr. **MILLS.** Mr. Chairman, permit me to take the opportunity of explaining this amendment, if I may.

This amendment concerns the procedure for claiming withholding allowances contained in your committee's bill. Taxpayers who anticipate that, based on prior experience, they will have large itemized deductions relative to their income may claim these withholding allowances, which have the effect of withholding exemptions. By doing so, they will be able to adjust their withholding

to prevent the excessive overwithholding which might otherwise develop.

The number of withholding allowances which may be claimed is based on the amount of excess itemized deductions. Excess itemized deductions are equal to estimated itemized deductions in excess of 12 percent of income up to \$7,500 and 17 percent of income above this figure.

Under the bill as it now stands, no withholding allowance may be claimed unless the amount of excess itemized deductions equals a full \$700. It has come to the attention of your committee that this stipulation makes in difficult for families with low and moderate incomes to take advantage of the withholding allowance procedure. A family with an income of \$5,000, for example, would have to have itemized deductions of \$1,300, or 26 percent of its income, before a withholding allowance could be claimed.

Your committee is of the opinion that the bill should be amended to make it easier for taxpayers with modest incomes to avail themselves of the withholding allowances. The committee therefore proposes an amendment to H.R. 12752 which will permit a taxpayer to claim single withholding allowance if his excess itemized deductions equal \$350 but are less than \$700. Thus, in the above example an allowance could be claimed when itemized deductions totaled \$950, or 19 percent of income, the average for itemized deductions as a percent of adjusted gross income.

This amendment only applies to the first withholding allowance. Two withholding allowances could not be claimed unless excess itemized deductions equalled or exceeded \$1,400, three could not be claimed unless the excess totaled \$2,100 or more, and so forth.

The amendment will be of chief importance to those with moderate incomes and relatively heavy itemized deductions. The importance to such taxpayers is indicated, however, by the fact that if two-thirds of those eligible for withholding allowances solely as a result of this amendment claim those allowances, the amount of withholding will be reduced by \$400 million a year.

This amendment will go into effect in the calendar year 1967 as a part of the entire withholding allowance procedure. As a result, it will not affect fiscal 1966 revenues at all and will reduce fiscal 1967 revenues by only \$65 million.

Mr. Chairman, I urge the committee to adopt the committee reported amendment.

Mr. **BYRNES** of Wisconsin. Mr. Chairman, I rise in complete support of the amendment.

Mr. Chairman, it was perfectly clear when the administration first presented the proposal for a change in the withholding system that it was going to considerably aggravate the problem of overwithholding that has existed in the past and which will even still exist in the future; a situation whereby our taxpayers by law are forced to pay in during the course of the year in excess of their real tax liability, and then wait for a refund in the following year.

I suggested during the course of the hearings to the Treasury that I thought they could devise a formula whereby at least some of this overwithholding could be alleviated, by giving recognition to the deductions that the taxpayer might have in excess of the standard deduction.

Mr. Chairman, that is the case which results in the usual situation of overwithholding.

When we acted in the committee, we acted on the basis of individual income tax statistics prepared by the Treasury. The Treasury representatives agreed to a formula for avoiding overwithholding. After we considered the matter and concluded our executive sessions, new statistics were prepared. I was not satisfied. I believe it imperative that the committee take another look at what we had done during our normal consideration of this particular problem, in view of the later, and presumably more accurate, statistical data that we received.

Mr. Chairman, I am very pleased that the chairman of the full committee thought likewise, and that this matter was reconsidered and a further liberalization was made so as to reduce even further the extent of involuntary overwithholding.

I would say, however, Mr. Chairman, to you and to the chairman of the Committee on Ways and Means, I hope that our staff and the staff of the Treasury Department will still focus their attention on the problem of overwithholding that still exists. I feel it is intolerable and inexcusable that we do not do everything we can to try and bring the tax withheld down to as close to the liability of the individual as is possible.

Now, Mr. Chairman, all of us know we can never hit it right on the head. But at least we can avoid the overwithholding that is current in our system today.

Mr. Chairman, the committee has made some real progress in partially correcting the situation, but I feel there is much more to be done. I hope the attention of the Treasury staff will be directed to that problem.

The CHAIRMAN. The question is on the committee amendment.

The commitment amendment was agreed to.

AMENDMENT OFFERED BY MR. MILLS

Mr. MILLS. Mr. Chairman, I offer another committee amendment, which is clerical and technical in nature.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS: In each of the tables beginning on pages 9, 11, 13, 15, 17, 19, 21, 23, 25, and 27 strike out "14 percent of wages" and insert in lieu thereof the following: "\$0".

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Arkansas [Mr. MILLS].

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

The Committee rose, and the Speaker pro tempore, Mr. ALBERT, having resumed the chair, Mr. HANSEN of Iowa, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, pursuant to House Resolution 736, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The question is on the amendments.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

For what purpose does the gentleman from California [Mr. UTT] rise?

Mr. UTT. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. UTT. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman qualifies.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. UTT moves to recommit the bill (H.R. 12752) to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendments:

Page 2, strike out lines 7 and 8.

Page 47, strike out line 4 and all that follows through line 9 on page 51.

Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that in the opinion of the Chair, the "noes" had it.

Mr. UTT. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently, a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 187, nays 207, not voting 38, as follows:

[Roll No. 19]

YEAS—187

Abbott	Foley	Morse
Abernethy	Ford, Gerald R.	Morton
Adair	Ford,	Mosher
Anderson, Ill.	William D.	Nedzi
Andrews,	Fountain	Nelsen
George W.	Fulton, Pa.	O'Hara, Mich.
Andrews,	Fulton, Tenn.	O'Neal, Ga.
Glenn	Fuqua	Ottinger
Andrews,	Gettys	Passman
N. Dak.	Glaimo	Pirnie
Arends	Goodell	Poff
Ashbrook	Griffin	Quile
Ashmore	Griffiths	Quillen
Bandstra	Gross	Race
Baring	Grover	Randall
Belcher	Gurney	Reid, Ill.
Bell	Haley	Reid, N.Y.
Berry	Hall	Reifel
Betts	Halleck	Reinecke
Bolton	Halpern	Rhodes, Ariz.
Bow	Hanley	Robison
Bray	Hansen, Idaho	Rogers, Fla.
Broomfield	Hardy	Roncalio
Brown, Calif.	Harsha	Rooney, Pa.
Brown, Ohio	Henderson	Roybal
Broyhill, N.C.	Hicks	Rumsfeld
Buchanan	Horton	Satterfield
Burton, Utah	Hosmer	Saylor
Cabell	Hull	Schisler
Callaway	Hungate	Schmidhauser
Cameron	Hutchinson	Schwelker
Carter	Jarman	Secrest
Chamberlain	Jennings	Selden
Clancy	Johnson, Pa.	Shipley
Clark	Jones	Shriver
Clausen,	Jones, Mo.	Sikes
Don H.	Jones, N.C.	Skubitz
Clawson, Del.	Kastenmeier	Smith, Calif.
Clevenger	Keith	Smith, N.Y.
Collier	King, N.Y.	Springer
Conable	Kornegay	Stalbaum
Conte	Kunkel	Stanton
Conyers	Kupferman	Stephens
Cooley	Landrum	Taylor
Corman	Langen	Thomson, Wis.
Craley	Latta	Tuck
Cunningham	Leggett	Tupper
Curtin	Lennon	Tuten
Dague	Lipscomb	Utt
Davis, Ga.	Long, La.	Vivian
Davis, Wis.	McClary	Waggonner
Derwinski	McCulloch	Walker, Miss.
Devine	McDade	Walker, N. Mex.
Dickinson	McEwen	Watkins
Diggs	McMillan	Watson
Dole	MacGregor	Weltner
Dulski	Mackie	Whalley
Duncan, Tenn.	Marsh	Whitener
Dwyer	Martin, Nebr.	Whitten
Edwards, Ala.	Mathias	Williams
Ellsworth	Michel	Wilson, Bob
Erlenborn	Minshall	Wyatt
Findley	Mize	Wydler
Fino	Moore	Younger

NAYS—207

Adams	Corbett	Garmatz
Addabbo	Culver	Gathings
Albert	Curtis	Gibbons
Anderson,	Daddario	Gilbert
Tenn.	Daniels	Gilligan
Annunzio	Dawson	Gonzalez
Ashley	de la Garza	Grabowski
Aspinall	Delaney	Gray
Ayres	Dent	Green, Oreg.
Barrett	Denton	Green, Pa.
Bates	Dingell	Greigg
Battin	Donohue	Grider
Beckworth	Dorn	Hagen, Calif.
Bennett	Dow	Hamilton
Bingham	Downing	Hanna
Boggs	Duncan, Oreg.	Hansen, Iowa
Boland	Dyal	Hansen, Wash.
Bolling	Edmondson	Harvey, Mich.
Brademas	Edwards, Calif.	Hathaway
Brock	Evans, Colo.	Hawkins
Brooks	Everett	Hays
Broyhill, Va.	Evins, Tenn.	Hechler
Burke	Farbstein	Helstoski
Burton, Calif.	Farnum	Herlong
Byrne, Pa.	Fascell	Holifield
Byrnes, Wis.	Feighan	Holland
Cahill	Flood	Howard
Callan	Flynt	Huot
Carey	Fogarty	Ichord
Casey	Fraser	Irwin
Celler	Frelinghuysen	Jacobs
Cleveland	Friedel	Joelson
Colmer	Gallagher	Johnson, Calif.

Johnson, Okla. Multer
Jones, Ala. Murphy, Ill.
Karsten Murphy, N.Y.
Karth Murray
Kelly Natcher
Keogh Nix
King, Utah O'Brien
Kirwan O'Hara, Ill.
Kluczynski O'Konski
Krebs Olsen, Mont.
Laird Olson, Minn.
Long, Md. O'Neill, Mass.
Love Patman
McCarthy Patten
McDowell Pelly
McFall Pepper
McGrath Perkins
McVicker Philbin
Macdonald Pickle
Machen Pike
Mackay Poage
Madden Powell
Mahon Price
Mailliard Pucinski
Martin, Mass. Purcell
Matsunaga Rees
May Reuss
Meeds Rhodes, Pa.
Mills Rivers, Alaska
Minish Roberts
Mink Rodino
Moeller Rogers, Colo.
Monagan Ronan
Morgan Rooney, N.Y.
Morris Rosenthal
Morrison Rostenkowski
Moss Roush

NOT VOTING—38

Baldwin Hagan, Ga.
Blatnik Harvey, Ind.
Burleson Hébert
Cederberg Kee
Chelf King, Calif.
Cohelan Martin, Ala.
Cramer Matthews
Dowdy Miller
Edwards, La. Moorhead
Fallon Pool
Farnsley Redlin
Fisher Resnick
Gubser Rivers, S.C.

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Cramer for, with Mr. Hébert against.
Mr. Harvey of Indiana for, with Mr. Miller against.

Mr. Roudebush for, with Mr. White of Idaho against.

Mr. Martin of Alabama for, with Mr. Toll against.

Mr. Fisher for, with Mr. Cohelan against.

Mr. Cederberg for, with Mr. Farnsley against.

Mr. Scott for, with Mr. King of California against.

Mr. Talcott for, with Mr. St. Onge against.

Until further notice:

Mr. Teague of Texas with Mr. Smith of Iowa.

Mr. Rogers of Texas with Mr. Willis.

Mr. Slack with Mr. Moorhead.

Mr. Blatnik with Mr. Fallon.

Mr. Hogan of Georgia with Mr. Redlin.

Mr. Rivers of South Carolina with Mr. Matthews.

Mr. Pool with Mr. Kee.

Mr. Zablocki with Mr. Baldwin.

Mr. Resnick with Mr. Gubser.

Mr. Chelf with Mr. Edwards of Louisiana.

Mr. DE LA GARZA changed his vote from "yea" to "nay."

Mr. POAGE changed his vote from "yea" to "nay."

Mr. KUNKEL changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER pro tempore. The question is on passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 246, nays 146, not voting 41, as follows:

[Roll No. 20]

YEAS—246

Adams Gilbert
Addabbo Gilligan
Albert Gonzalez
Anderson, Ill. Grabowski
Anderson, Tenn. Gray
Annunzio Green, Oreg.
Ashley Green, Pa.
Aspinall Greigg
Ayres Grider
Barrett Hagen, Calif.
Bates Hamilton
Battin Hanley
Beckworth Hanna
Belcher Hansen, Iowa
Bell Hansen, Wash.
Bennett Hardy
Bingham Harvey, Mich.
Boggs Hathaway
Boland Hawkins
Bolling Hays
Bow Hechler
Brademas Helstoski
Brock Herlong
Brooks Hollifield
Broyhill, Va. Holland
Burke Hosmer
Burton, Calif. Howard
Byrne, Pa. Hull
Byrnes, Wis. Hungate
Cabell Huot
Cahill Ichord
Callan Irwin
Callaway Jacobs
Carey Jarman
Carter Joelson
Casey Johnson, Calif.
Celler Johnson, Okla.
Clark Jones, Ala.
Cleveland Karsten
Collier Karth
Colmer Keith
Corbett Kelly
Corman Keogh
Culver King, Utah
Curtis Kirwan
Daddario Kluczynski
Daniels Krebs
Davis, Wis. Kunkel
Dawson Kupferman
de la Garza Laird
Delaney Leggett
Dent Lipscomb
Dingell Long, Md.
Donohue Love
Dorn McCarthy
Dow McClory
Downing McDade
Dwyer McDowell
Dyal McFall
Edmondson McGrath
Edwards, Calif. McGrath
Evans, Colo. McVicker
Everett Macdonald
Evins, Tenn. Machen
Farbstein Mackay
Farnum Madden
Fascell Mahon
Feighan Mailliard
Findley Marsh
Flood Martin, Mass.
Flynt Martin, Nebr.
Fogarty Mathias
Foley Matsunaga
Fraser May
Frelinghuysen Meeds
Friedel Mills
Gallagher Minish
Garmatz Mink
Gathings Moeller
Giaino Monagan
Gibbons Morgan
Morris
Morse

NAYS—146

Abbitt Ashbrook
Abernethy Ashmore
Adair Baring
Andrews, N. Dak. Berry
Arends Betts

Bolton Gross
Bray Grover
Broomfield Gurney
Brown, Calif. Haley
Brown, Ohio Hall
Broyhill, N.C. Halleck
Buchanan Halpern
Burton, Utah Hansen, Idaho
Cameron Harsha
Chamberlain Henderson
Clancy Hicks
Clausen, Don H. Horton
Clawson, Del Hutchinson
Clevenger Jennings
Conable Johnson, Pa.
Conte Jonas
Conyers Jones, Mo.
Cooley Jones, N.C.
Craley Kastenmeier
Cunningham King, N.Y.
Curtin Kornegay
Dague Landrum
Davis, Ga. Langen
Derwinski Latta
Devine Lennon
Dickinson Long, La.
Diggs McCulloch
Dole McEwen
Dulski McMillan
Duncan, Tenn. MacGregor
Edwards, Ala. Mackie
Ellsworth Michel
Erlenborn Minshall
Fino Mize
Ford, Gerald R. Moore
Ford, William D. Morton
Fountain Mosher
Fulton, Pa. Nedzi
Fulton, Tenn. Nelsen
Fuqua O'Hara, Mich.
Gettys O'Konski
Goodell O'Neal, Ga.
Griffin Ottinger
Griffiths Passman
Poff
Quie

NOT VOTING—41

Baldwin Gubser
Bandstra Hagan, Ga.
Blatnik Harvey, Ind.
Burleson Hébert
Cederberg Kee
Chelf King, Calif.
Cohelan Martin, Ala.
Cramer Matthews
Dowdy Miller
Edwards, La. Moorhead
Fallon Patman
Farnsley Pool
Fisher Resnick
Rivers, S.C.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Hébert for, with Mr. Harvey of Indiana against.

Mr. Miller for, with Mr. Roudebush against.

Mr. King of California for, with Mr. Martin of Alabama against.

Mr. St. Onge for, with Mr. Fisher against.

Mr. Fallon for, with Mr. Cramer against.

Mr. Patman for, with Mr. Cederberg against.

Mr. Edwards of Louisiana for, with Mr. Scott against.

Until further notice:

Mr. Cohelan with Mr. Gubser.

Mr. Senner with Mr. Baldwin.

Mr. Matthews with Mr. Teague of Texas.

Mr. Toll with Mr. Rogers of Texas.

Mr. Farnsley with Mr. Slack.

Mr. Moorhead with Mr. Bandstra.

Mr. White of Idaho with Mr. Willis.

Mr. Zablocki with Mr. Duncan of Oregon.

Mr. Smith of Iowa with Mr. Kee.

Mr. Blatnik with Mr. Chelf.

Mr. Pool with Mr. Resnick.

Mr. Hagan of Georgia with Mr. Rivers of South Carolina.

Mr. HALPERN changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may extend their remarks in the body of the RECORD on the bill just passed immediately prior to the conclusion of general debate.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that those of us who spoke on the bill in general debate may revise and extend our remarks and include such extraneous material in the form of tables and so on in relation to such remarks.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

ELECTION OF MEMBER TO COM- MITTEE ON INTERIOR AND INSU- LAR AFFAIRS

Mr. GERALD R. FORD. Mr. Speaker, I offer a resolution (H. Res. 744) and ask for its immediate consideration.

The Clerk read as follows:

H. RES. 744

Resolved, That THEODORE R. KUPFERMAN, of New York, be and he is hereby, elected a member of the standing committee of the House of Representatives on Interior and Insular Affairs.

The resolution was agreed to.

A motion to reconsider was laid on the table.

MASSACHUSETTS MUTUAL LIFE INSURANCE CO. OF SPRINGFIELD, MASS. RECEIVES SPECIAL MERIT CITATION FROM POSTMASTER GENERAL LAWRENCE F. O'BRIEN FOR OUTSTANDING COOPERATION WITH POST OFFICE DEPARTMENT IN ZIP CODE AND OTHER PROGRAMS

(Mr. BOLAND asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous material.)

Mr. BOLAND. Mr. Speaker, the Massachusetts Mutual Life Insurance Co. of Springfield, Mass., is now in its 115th year of operation. Over that period of time, it has grown into one of the largest life insurance companies in the country and today ranks 10th largest in assets of the more than 1,600 life insurance companies in the Nation. Its growth has been marked by conspicuous and outstanding leadership. It has made incalculable contributions to its home office city. Its officers and employees have been in the forefront of community campaigns to make their locality a better place to live, work, and play. It has been cited many times for its cooperation in community and governmental activities.

On January 14, 1966, Massachusetts Life Insurance was presented with a special merit citation for outstanding cooperation with the Post Office Department in ZIP code and other programs. I know it was particularly pleasing to Postmaster General Lawrence F. O'Brien to confer this citation upon a company from his own home city. The presentation, the first of its kind since he assumed the Cabinet post, was made by Postmaster General O'Brien to Mr. Charles H. Schaaff, president of Massachusetts Mutual Life Insurance Co. in appropriate ceremonies in the Postmaster General's office. I was privileged to attend the event along with the postmaster of Springfield, Mass., Arthur B. Morin, officers of the company Second Vice President J. Walter Reardon, Secretary Harrison B. Clapp and Communications Department Manager Alexander T. Muir.

In citing Massachusetts Mutual, one of the first major life insurance companies in the Nation to complete the addition of ZIP codes to its master files, Postmaster General O'Brien said:

Naturally, I am proud that a company from my hometown is being honored, but today's award has nothing to do with the fact that we both come from Springfield, Mass. It has everything to do with the kind of vision, spirit of cooperation and creative innovation that the Post Office needs from the business community and which it is most certainly receiving from Massachusetts Life Insurance Co.

Mr. O'Brien noted that 80 percent of the Nation's 74 billion pieces of mail is generated by business and that the Massachusetts Mutual "is 100 percent behind the Post Office in our drive for better service." He continued:

The award is richly deserved. This example of leadership also means better service for the company's policyholders.

Earlier in the week Mr. O'Brien said in a press release:

Massachusetts Mutual has played a leading role in the Mail Users Council in my hometown of Springfield and has actively presorted its mail as a cooperative effort with the postal service. The firm has given technical assistance to other companies to bring about improved mailing procedures and has been helpful to the Post Office Department in scheduling its mailings.

Upon accepting the award from Mr. O'Brien, Mr. Schaaff made these remarks:

Thank you, Mr. Postmaster General. I am very pleased to receive this award on behalf of my company, the Massachusetts Mutual Life, for at least two good reasons. First, we are naturally anxious to cooperate with our Government in every way and in your effort to have everyone participate in the ZIP code program; and, second, because I am very certain that this accomplishment of ZIP coding our entire file will result in greater efficiency in our operations for the benefit of our policyholders.

I also want to compliment you on your postmaster in Springfield, Mr. Arthur B. Morin, who has helped our company in many ways over the years, and made a particularly important contribution to the accomplishment which led to the presentation of this award. Thank you very much.

Mr. Speaker, I take pride that the Massachusetts Mutual Life Insurance Co. is located in my congressional district.

It is housed in a magnificent and elegantly beautiful building that is a splendid credit to its officers and employees and the thousands of its policyholders throughout the world. The history of this great company is a proud and notable one. Under unanimous consent I include it with my remarks:

HISTORY OF THE MASSACHUSETTS MUTUAL LIFE INSURANCE CO.

The Massachusetts Mutual was founded on May 15, 1851, with capital of \$100,000 raised through subscriptions from 30 citizens of Springfield, Mass., then a town with a population of 12,000. This stock was retired in 1867, and the company has been a mutual organization ever since.

Three chairs, two desks, two pictures, a stove, table, and city map were the company's first assets, and net receipts for the first year were \$5,000.

The company's first full-time employee was Francis B. Bacon, who received a salary of \$800 a year. The first president was Caleb Rice, who had gained fame as sheriff of Hampden County. Devoting only part of his time to this position, he received a salary of \$50 the first year, and \$100 the second. He became Springfield's first mayor when the city was incorporated in 1852.

The first policy was issued on August 2, 1851, to Harvey Danks, who also became the company's first sales agent. There were anxious moments in the early days, particularly at the thought of claims any mail might bring. For example, one early policyholder insured for \$3,000 succumbed after paying only one premium. It was some 3 months before the claim was settled, and, even then, the money had to be borrowed. But the records show that there has never been another such delay in the almost 115 years that have ensued.

The company's early growth was largely confined to New England, but, by 1855, agencies had been established in New York City, Albany, Cleveland, Chicago, and Detroit. By 1868, when an agency was opened in San Francisco, the Massachusetts Mutual spanned the continent.

The first home office was a single room in a downtown Springfield building. By 1868, the increase in business necessitated larger quarters, and a new building was constructed, also in downtown Springfield.

Caleb Rice died 22 years after the company was founded, and was succeeded by Ephraim W. Bond. That same year, the new home office was extensively burned, and the building was subsequently rebuilt and reoccupied. Col. Martin Van Buren Egerly was elected president in 1886 and served until 1895, when John A. Hall was elected. Mr. Hall died suddenly while on a trip to London in 1908, and was succeeded by William W. McClench.

A few weeks after Mr. McClench was elected president, the company moved into its second building, erected on the site of the building which housed the original one-room office. Mr. McClench held the presidency from 1908 to 1928, guiding the company through the days of World War I. Total war losses were just over a half-million dollars, while the influenza epidemic of 1918 had a far more serious impact on the company.

The home office staff, which numbered 100 in 1907, had grown to some 400 by 1924. Insurance in force has passed the \$1 billion level just 1 year earlier. In 1927, the company occupied its present home office complex, at 1295 State Street in Springfield, some 4 miles east of the city's main business district.

William H. Sargeant was the company's chief executive through the worst years of the great depression. Policy loans hit abnormal figures, and, by mid-1932, more busi-

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1966

Read twice and referred to the Committee on Finance

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

7 TITLE I—ADJUSTMENT OF CERTAIN COLLECTION
8 PROCEDURES

9 SECTION 101. INCOME TAX COLLECTED AT SOURCE.

10 (a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
11 section (a) of section 3402 (relating to requirement of
12 withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

- 1 plied by the amount of one such exemption as shown in the
 2 table in subsection (b) (1) :

**“Table 1—If the payroll period with respect to an employee is
 WEEKLY**

- 3 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

- 4 **“(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

**“Table 2—If the payroll period with respect to an employee is
 BIWEEKLY**

- 5 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
\$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

“Table 4—If the payroll period with respect to an employee is MONTHLY

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

“Table 5—If the payroll period with respect to an employee is QUARTERLY

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

**“Table 6—If the payroll period with respect to an employee is
SEMIANNUAL**

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200-----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

**“Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200_____	0.
Over \$200 but not over \$700_____	14% of excess over \$200.
Over \$700 but not over \$1,200_____	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400_____	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000---	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000_____	\$2,119 plus 30% of excess over \$11,000.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200_____	0.
Over \$200 but not over \$1,200_____	14% of excess over \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800--	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000_____	\$4,223 plus 30% of excess over \$22,000.

**“Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 “(a) Single Person—Including Head of Household:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50_____	0.
Over \$0.50 but not over \$1.90_____	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30_____	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10_____	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10--	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10_____	\$5.81 plus 30% of excess over \$30.10.

1 “(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is: The amount of income tax to be withheld shall be:

Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50---	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30---	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-

3 graph (1) of section 3402 (b) (relating to percentage

4 method withholding table) is amended by striking out the

5 table set forth therein and inserting the following table in

6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)

8 of section 3402 (c) (relating to wage bracket withholding)

1 is amended by striking out the tables set forth therein and
2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$4.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4.....	\$5.....	.10	0	0	0	0	0	0	0	0	0	0
\$5.....	\$6.....	.20	0	0	0	0	0	0	0	0	0	0
\$6.....	\$7.....	.40	0	0	0	0	0	0	0	0	0	0
\$7.....	\$8.....	.50	0	0	0	0	0	0	0	0	0	0
\$8.....	\$9.....	.70	0	0	0	0	0	0	0	0	0	0
\$9.....	\$10.....	.80	0	0	0	0	0	0	0	0	0	0
\$10.....	\$11.....	.90	0	0	0	0	0	0	0	0	0	0
\$11.....	\$12.....	1.10	0	0	0	0	0	0	0	0	0	0
\$12.....	\$13.....	1.20	0	0	0	0	0	0	0	0	0	0
\$13.....	\$14.....	1.40	0	0	0	0	0	0	0	0	0	0
\$14.....	\$15.....	1.50	0	0	0	0	0	0	0	0	0	0
\$15.....	\$16.....	1.70	0	0	0	0	0	0	0	0	0	0
\$16.....	\$17.....	1.80	0	0	0	0	0	0	0	0	0	0
\$17.....	\$18.....	2.00	0	0	0	0	0	0	0	0	0	0
\$18.....	\$19.....	2.10	.20	0	0	0	0	0	0	0	0	0
\$19.....	\$20.....	2.30	.30	0	0	0	0	0	0	0	0	0
\$20.....	\$21.....	2.40	.40	0	0	0	0	0	0	0	0	0
\$21.....	\$22.....	2.60	.60	0	0	0	0	0	0	0	0	0
\$22.....	\$23.....	2.70	.70	0	0	0	0	0	0	0	0	0
\$23.....	\$24.....	2.90	.90	0	0	0	0	0	0	0	0	0
\$24.....	\$25.....	3.00	1.00	0	0	0	0	0	0	0	0	0
\$25.....	\$26.....	3.20	1.10	0	0	0	0	0	0	0	0	0
\$26.....	\$27.....	3.40	1.30	0	0	0	0	0	0	0	0	0
\$27.....	\$28.....	3.50	1.40	0	0	0	0	0	0	0	0	0
\$28.....	\$29.....	3.70	1.60	0	0	0	0	0	0	0	0	0
\$29.....	\$30.....	3.90	1.70	0	0	0	0	0	0	0	0	0
\$30.....	\$31.....	4.10	1.90	0	0	0	0	0	0	0	0	0
\$31.....	\$32.....	4.20	2.00	.10	0	0	0	0	0	0	0	0
\$32.....	\$33.....	4.40	2.20	.20	0	0	0	0	0	0	0	0
\$33.....	\$34.....	4.60	2.30	.40	0	0	0	0	0	0	0	0
\$34.....	\$35.....	4.70	2.50	.50	0	0	0	0	0	0	0	0
\$35.....	\$36.....	4.90	2.60	.70	0	0	0	0	0	0	0	0
\$36.....	\$37.....	5.10	2.80	.80	0	0	0	0	0	0	0	0
\$37.....	\$38.....	5.20	3.00	.90	0	0	0	0	0	0	0	0
\$38.....	\$39.....	5.40	3.10	1.10	0	0	0	0	0	0	0	0
\$39.....	\$40.....	5.60	3.30	1.20	0	0	0	0	0	0	0	0
\$40.....	\$41.....	5.80	3.50	1.40	0	0	0	0	0	0	0	0
\$41.....	\$42.....	5.90	3.60	1.50	0	0	0	0	0	0	0	0
\$42.....	\$43.....	6.10	3.80	1.70	0	0	0	0	0	0	0	0
\$43.....	\$44.....	6.30	4.00	1.80	0	0	0	0	0	0	0	0
\$44.....	\$45.....	6.40	4.10	2.00	0	0	0	0	0	0	0	0
\$45.....	\$46.....	6.60	4.30	2.10	.20	0	0	0	0	0	0	0
\$46.....	\$47.....	6.80	4.50	2.30	.30	0	0	0	0	0	0	0
\$47.....	\$48.....	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$48.....	\$49.....	7.10	4.80	2.60	.60	0	0	0	0	0	0	0
\$49.....	\$50.....	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$50.....	\$51.....	7.50	5.20	2.90	.90	0	0	0	0	0	0	0
\$51.....	\$52.....	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0
\$52.....	\$53.....	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0
\$53.....	\$54.....	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$54.....	\$55.....	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0
\$55.....	\$56.....	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$56.....	\$57.....	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0
\$57.....	\$58.....	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$58.....	\$59.....	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0
\$59.....	\$60.....	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$60.....	\$62.....	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0
\$62.....	\$64.....	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0
\$64.....	\$66.....	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0
\$66.....	\$68.....	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0
\$68.....	\$70.....	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0
\$70.....	\$72.....	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0
\$72.....	\$74.....	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0
\$74.....	\$76.....	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0
\$76.....	\$78.....	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0
\$78.....	\$80.....	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0
\$80.....	\$82.....	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0
\$82.....	\$84.....	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0
\$84.....	\$86.....	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0
\$86.....	\$88.....	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0
\$88.....	\$90.....	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$90.....	\$92.....	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0
\$92.....	\$94.....	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0
\$94.....	\$96.....	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0
\$96.....	\$98.....	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98.....	\$100....	\$16. 10	\$13. 40	\$11. 10	\$8. 80	\$6. 50	\$4. 30	\$2. 10	\$1. 10	\$0	\$0	\$0
\$100.....	\$105....	16. 80	14. 10	11. 70	9. 40	7. 10	4. 80	2. 60	. 60	0	0	0
\$105.....	\$110....	17. 80	15. 10	12. 60	10. 30	8. 00	5. 70	3. 40	1. 30	0	0	0
\$110.....	\$115....	18. 80	16. 10	13. 40	11. 10	8. 80	6. 50	4. 30	2. 10	. 10	0	0
\$115.....	\$120....	19. 80	17. 10	14. 40	12. 00	9. 70	7. 40	5. 10	2. 80	. 80	0	0
\$120.....	\$125....	20. 80	18. 10	15. 40	12. 80	10. 50	8. 20	6. 00	3. 70	1. 50	0	0
\$125.....	\$130....	21. 80	19. 10	16. 40	13. 80	11. 40	9. 10	6. 80	4. 50	2. 30	. 40	0
\$130.....	\$135....	22. 80	20. 10	17. 40	14. 80	12. 20	9. 90	7. 70	5. 40	3. 10	1. 10	0
\$135.....	\$140....	23. 80	21. 10	18. 40	15. 80	13. 10	10. 80	8. 50	6. 20	3. 90	1. 80	0
\$140.....	\$145....	24. 80	22. 10	19. 40	16. 80	14. 10	11. 60	9. 40	7. 10	4. 80	2. 50	. 60
\$145.....	\$150....	25. 80	23. 10	20. 40	17. 80	15. 10	12. 50	10. 20	7. 90	5. 60	3. 30	1. 30
\$150.....	\$160....	27. 30	24. 60	21. 90	19. 30	16. 60	13. 90	11. 50	9. 20	6. 90	4. 60	2. 40
\$160.....	\$170....	29. 30	26. 60	23. 90	21. 30	18. 60	15. 90	13. 20	10. 90	8. 60	6. 30	4. 00
\$170.....	\$180....	31. 60	28. 60	25. 90	23. 30	20. 60	17. 90	15. 20	12. 60	10. 30	8. 00	5. 70
\$180.....	\$190....	34. 10	30. 80	27. 90	25. 30	22. 60	19. 90	17. 20	14. 50	12. 00	9. 70	7. 40
\$190.....	\$200....	36. 60	33. 30	29. 90	27. 30	24. 60	21. 90	19. 20	16. 50	13. 80	11. 40	9. 10
\$200.....	\$210....	39. 10	35. 80	32. 40	29. 30	26. 60	23. 90	21. 20	18. 50	15. 80	13. 10	10. 80
\$210.....	\$220....	41. 80	38. 30	34. 90	31. 50	28. 60	25. 90	23. 20	20. 50	17. 80	15. 10	12. 50
\$220.....	\$230....	44. 80	40. 80	37. 40	34. 00	30. 70	27. 90	25. 20	22. 50	19. 80	17. 10	14. 40
\$230.....	\$240....	47. 80	43. 80	39. 90	36. 50	33. 20	29. 90	27. 20	24. 50	21. 80	19. 10	16. 40
\$240.....	\$250....	50. 80	46. 80	42. 70	39. 00	35. 70	32. 30	29. 20	26. 50	23. 80	21. 10	18. 40
\$250.....	\$260....	53. 80	49. 80	45. 70	41. 70	38. 20	34. 80	31. 40	28. 50	25. 80	23. 10	20. 40
\$260.....	\$270....	56. 80	52. 80	48. 70	44. 70	40. 70	37. 30	33. 90	30. 60	27. 80	25. 10	22. 40
\$270.....	\$280....	59. 80	55. 80	51. 70	47. 70	43. 60	39. 80	36. 40	33. 10	29. 80	27. 10	24. 40
\$280.....	\$290....	62. 80	58. 80	54. 70	50. 70	46. 60	42. 60	38. 90	35. 60	32. 20	29. 10	26. 40
\$290.....	\$300....	65. 80	61. 80	57. 70	53. 70	49. 60	45. 60	41. 60	38. 10	34. 70	31. 30	28. 40
\$300.....	\$310....	68. 80	64. 80	60. 70	56. 70	52. 60	48. 60	44. 60	40. 60	37. 20	33. 80	30. 50
\$310.....	\$320....	71. 80	67. 80	63. 70	59. 70	55. 60	51. 60	47. 60	43. 50	39. 70	36. 30	33. 00
\$320.....	\$330....	74. 80	70. 80	66. 70	62. 70	58. 60	54. 60	50. 60	46. 50	42. 50	38. 80	35. 50
\$330.....	\$340....	77. 80	73. 80	69. 70	65. 70	61. 60	57. 60	53. 60	49. 50	45. 50	41. 40	38. 00
\$340.....	\$350....	80. 80	76. 80	72. 70	68. 70	64. 60	60. 60	56. 60	52. 50	48. 50	44. 40	40. 50
\$350.....	\$360....	83. 80	79. 80	75. 70	71. 70	67. 60	63. 60	59. 60	55. 50	51. 50	47. 40	43. 40
30 percent of the excess over \$360 plus—												
\$360 and over....		85. 30	81. 30	77. 20	73. 20	69. 10	65. 10	61. 10	57. 00	53. 00	48. 90	44. 90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$4.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4.....	\$5.....	.10	0	0	0	0	0	0	0	0	0	0
\$5.....	\$6.....	.20	0	0	0	0	0	0	0	0	0	0
\$6.....	\$7.....	.40	0	0	0	0	0	0	0	0	0	0
\$7.....	\$8.....	.50	0	0	0	0	0	0	0	0	0	0
\$8.....	\$9.....	.70	0	0	0	0	0	0	0	0	0	0
\$9.....	\$10.....	.80	0	0	0	0	0	0	0	0	0	0
\$10.....	\$11.....	.90	0	0	0	0	0	0	0	0	0	0
\$11.....	\$12.....	1.10	0	0	0	0	0	0	0	0	0	0
\$12.....	\$13.....	1.20	0	0	0	0	0	0	0	0	0	0
\$13.....	\$14.....	1.40	0	0	0	0	0	0	0	0	0	0
\$14.....	\$15.....	1.50	0	0	0	0	0	0	0	0	0	0
\$15.....	\$16.....	1.60	0	0	0	0	0	0	0	0	0	0
\$16.....	\$17.....	1.80	0	0	0	0	0	0	0	0	0	0
\$17.....	\$18.....	1.90	0	0	0	0	0	0	0	0	0	0
\$18.....	\$19.....	2.10	.20	0	0	0	0	0	0	0	0	0
\$19.....	\$20.....	2.20	.30	0	0	0	0	0	0	0	0	0
\$20.....	\$21.....	2.30	.40	0	0	0	0	0	0	0	0	0
\$21.....	\$22.....	2.50	.60	0	0	0	0	0	0	0	0	0
\$22.....	\$23.....	2.60	.70	0	0	0	0	0	0	0	0	0
\$23.....	\$24.....	2.80	.90	0	0	0	0	0	0	0	0	0
\$24.....	\$25.....	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25.....	\$26.....	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26.....	\$27.....	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27.....	\$28.....	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28.....	\$29.....	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29.....	\$30.....	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30.....	\$31.....	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31.....	\$32.....	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32.....	\$33.....	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33.....	\$34.....	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34.....	\$35.....	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35.....	\$36.....	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36.....	\$37.....	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37.....	\$38.....	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38.....	\$39.....	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39.....	\$40.....	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40.....	\$41.....	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41.....	\$42.....	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42.....	\$43.....	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43.....	\$44.....	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44.....	\$45.....	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45.....	\$46.....	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46.....	\$47.....	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47.....	\$48.....	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48.....	\$49.....	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49.....	\$50.....	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50.....	\$51.....	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51.....	\$52.....	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52.....	\$53.....	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53.....	\$54.....	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54.....	\$55.....	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55.....	\$56.....	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56.....	\$57.....	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57.....	\$58.....	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58.....	\$59.....	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59.....	\$60.....	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60.....	\$62.....	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$62.....	\$64.....	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$64.....	\$66.....	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$66.....	\$68.....	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$68.....	\$70.....	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$70.....	\$72.....	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$72.....	\$74.....	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$74.....	\$76.....	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$76.....	\$78.....	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$78.....	\$80.....	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$80.....	\$82.....	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$82.....	\$84.....	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$84.....	\$86.....	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$86.....	\$88.....	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$88.....	\$90.....	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$90.....	\$92.....	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$92.....	\$94.....	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$94.....	\$96.....	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$96.....	\$98.....	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$98.....	\$100.....	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$100.....	\$105.....	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0
\$105.....	\$110.....	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$110.....	\$115.....	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$115.....	\$120.....	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$120.....	\$125.....	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0
\$125.....	\$130.....	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$130.....	\$135.....	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$135.....	\$140.....	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140-----	\$145----	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$.60
\$145-----	\$150----	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150-----	\$160----	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$160-----	\$170----	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80
\$170-----	\$180----	27.50	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30
\$180-----	\$190----	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80
\$190-----	\$200----	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30
\$200-----	\$210----	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80
\$210-----	\$220----	35.50	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30
\$220-----	\$230----	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90
\$230-----	\$240----	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60
\$240-----	\$250----	41.50	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30
\$250-----	\$260----	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00
\$260-----	\$270----	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70
\$270-----	\$280----	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40
\$280-----	\$290----	49.50	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10
\$290-----	\$300----	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80
\$300-----	\$310----	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50
\$310-----	\$320----	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50
\$320-----	\$330----	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50
\$330-----	\$340----	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50
\$340-----	\$350----	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50
\$350-----	\$360----	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50
\$360-----	\$370----	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50
\$370-----	\$380----	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50
\$380-----	\$390----	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50
\$390-----	\$400----	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50
\$400-----	\$410----	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50
\$410-----	\$420----	79.20	75.80	72.50	69.10	65.70	62.40	59.30	56.60	53.90	51.20	48.50
\$420-----	\$430----	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50
\$430-----	\$440----	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50
\$440-----	\$450----	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50
\$450-----	\$460----	90.80	86.80	82.70	79.10	75.70	72.40	69.00	65.60	62.30	59.20	56.50
\$460-----	\$470----	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50
\$470-----	\$480----	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50
\$480-----	\$490----	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00
\$490-----	\$500----	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50
\$500-----	\$510----	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00
\$510-----	\$520----	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50
\$520-----	\$530----	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00
\$530-----	\$540----	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50
\$540-----	\$550----	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00
\$550-----	\$560----	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50
\$560-----	\$570----	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40
30 percent of the excess over \$570 plus—												
\$570 and over-----		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$80	\$82	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$102	\$104	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$104	\$106	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106	\$108	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108	\$110	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110	\$112	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112	\$114	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114	\$116	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116	\$118	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118	\$120	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120	\$124	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$124	\$128	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$128	\$132	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$132	\$136	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$136	\$140	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$140	\$144	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$144	\$148	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$148	\$152	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$152	\$156	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$156	\$160	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$160	\$164	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$164	\$168	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$168	\$172	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$172	\$176	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$176	\$180	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$180	\$184	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$184	\$188	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$188	\$192	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$192	\$196	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$196	\$200	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$200	\$210	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$210	\$220	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$220	\$230	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$230	\$240	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$240	\$250	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$250	\$260	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$260	\$270	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$270	\$280	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$280----	\$290----	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290----	\$300----	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300----	\$320----	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320----	\$340----	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340----	\$360----	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360----	\$380----	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380----	\$400----	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400----	\$420----	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420----	\$440----	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440----	\$460----	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460----	\$480----	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480----	\$500----	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500----	\$520----	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520----	\$540----	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540----	\$560----	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560----	\$580----	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580----	\$600----	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600----	\$620----	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620----	\$640----	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640----	\$660----	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660----	\$680----	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680----	\$700----	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700----	\$720----	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over---		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58	\$60	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60	\$62	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62	\$64	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66	\$68	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68	\$70	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72	\$74	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74	\$76	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78	\$80	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80	\$82	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82	\$84	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84	\$86	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86	\$88	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88	\$90	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90	\$92	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92	\$94	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94	\$96	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96	\$98	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98	\$100	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100	\$102	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102	\$104	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104	\$106	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106	\$108	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108	\$110	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110	\$112	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112	\$114	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114	\$116	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116	\$118	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118	\$120	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120	\$124	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$124	\$128	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$128	\$132	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$132	\$136	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$136	\$140	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$140	\$144	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$144	\$148	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$148	\$152	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$152	\$156	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$156	\$160	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$160	\$164	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$164	\$168	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$168	\$172	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$172	\$176	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$176	\$180	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$180	\$184	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$184	\$188	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$188	\$192	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$192	\$196	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$196	\$200	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$200	\$210	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$210	\$220	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$220	\$230	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$230	\$240	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$240	\$250	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$250	\$260	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260-----	\$270----	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270-----	\$280----	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280-----	\$290----	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290-----	\$300----	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300-----	\$320----	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320-----	\$340----	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340-----	\$360----	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360-----	\$380----	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380-----	\$400----	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400-----	\$420----	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420-----	\$440----	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440-----	\$460----	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460-----	\$480----	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480-----	\$500----	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500-----	\$520----	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520-----	\$540----	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540-----	\$560----	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560-----	\$580----	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580-----	\$600----	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600-----	\$620----	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620-----	\$640----	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640-----	\$660----	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660-----	\$680----	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680-----	\$700----	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700-----	\$720----	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720-----	\$740----	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740-----	\$760----	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760-----	\$780----	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780-----	\$800----	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800-----	\$820----	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820-----	\$840----	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840-----	\$860----	163.40	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860-----	\$880----	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880-----	\$900----	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900-----	\$920----	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920-----	\$940----	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940-----	\$960----	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960-----	\$980----	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980-----	\$1,000---	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000-----	\$1,020---	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020-----	\$1,040---	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040-----	\$1,060---	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060-----	\$1,080---	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080-----	\$1,100---	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100-----	\$1,120---	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120-----	\$1,140---	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over--		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.10	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.50	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.20	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.50	0	0	0	0	0	0	0	0	0
\$42	\$44	5.00	.80	0	0	0	0	0	0	0	0	0
\$44	\$46	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46	\$48	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48	\$50	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50	\$52	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52	\$54	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54	\$56	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56	\$58	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58	\$60	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60	\$62	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62	\$64	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64	\$66	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66	\$68	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68	\$70	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70	\$72	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72	\$74	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74	\$76	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76	\$78	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78	\$80	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80	\$82	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82	\$84	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84	\$86	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86	\$88	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88	\$90	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90	\$92	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92	\$94	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94	\$96	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96	\$98	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98	\$100	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100	\$102	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102	\$104	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104	\$106	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106	\$108	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108	\$110	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110	\$112	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112	\$114	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114	\$116	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116	\$118	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118	\$120	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120	\$124	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124	\$128	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128	\$132	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132	\$136	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136	\$140	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140	\$144	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144	\$148	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148	\$152	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152	\$156	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156	\$160	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160	\$164	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164	\$168	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168	\$172	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172	\$176	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176	\$180	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180	\$184	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184	\$188	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188	\$192	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192	\$196	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196	\$200	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200	\$210	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$210	\$220	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$220	\$230	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$230	\$240	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$240	\$250	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$250	\$260	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260-----	\$270----	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270-----	\$280----	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280-----	\$290----	49.00	43.20	37.40	31.50	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290-----	\$300----	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300-----	\$320----	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320-----	\$340----	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340-----	\$360----	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360-----	\$380----	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380-----	\$400----	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400-----	\$420----	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420-----	\$440----	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440-----	\$460----	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.60	24.50
\$460-----	\$480----	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.60	27.90
\$480-----	\$500----	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500-----	\$520----	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520-----	\$540----	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540-----	\$560----	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.60	43.70
\$560-----	\$580----	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.60	47.70
\$580-----	\$600----	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.60	51.70
\$600-----	\$620----	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620-----	\$640----	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	66.60	59.70
\$640-----	\$660----	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660-----	\$680----	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680-----	\$700----	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700-----	\$720----	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	86.60	78.30
\$720-----	\$740----	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740-----	\$760----	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.30
30 percent of the excess over \$760 plus—												
\$760 and over...		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.10	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.70	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.00	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.30	.20	0	0	0	0	0	0	0	0	0
\$40	\$42	4.60	.50	0	0	0	0	0	0	0	0	0
\$42	\$44	4.90	.80	0	0	0	0	0	0	0	0	0
\$44	\$46	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46	\$48	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48	\$50	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50	\$52	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52	\$54	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54	\$56	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56	\$58	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58	\$60	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60	\$62	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62	\$64	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64	\$66	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66	\$68	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68	\$70	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70	\$72	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72	\$74	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74	\$76	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76	\$78	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$78	\$80	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80	\$82	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82	\$84	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84	\$86	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86	\$88	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88	\$90	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90	\$92	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92	\$94	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94	\$96	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96	\$98	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98	\$100	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100	\$102	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102	\$104	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104	\$106	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106	\$108	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108	\$110	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110	\$112	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112	\$114	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114	\$116	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116	\$118	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118	\$120	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120	\$124	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124	\$128	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128	\$132	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132	\$136	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136	\$140	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140	\$144	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144	\$148	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148	\$152	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152	\$156	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156	\$160	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160	\$164	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$164----	\$168----	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168----	\$172----	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172----	\$176----	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176----	\$180----	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180----	\$184----	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184----	\$188----	26.30	21.90	17.60	13.10	8.70	4.50	.40	0	0	0	0
\$188----	\$192----	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192----	\$196----	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196----	\$200----	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200----	\$210----	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0
\$210----	\$220----	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220----	\$230----	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230----	\$240----	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240----	\$250----	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250----	\$260----	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260----	\$270----	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0
\$270----	\$280----	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0
\$280----	\$290----	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290----	\$300----	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300----	\$320----	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320----	\$340----	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340----	\$360----	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360----	\$380----	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380----	\$400----	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400----	\$420----	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420----	\$440----	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440----	\$460----	73.70	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10
\$460----	\$480----	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480----	\$500----	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500----	\$520----	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520----	\$540----	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540----	\$560----	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560----	\$580----	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580----	\$600----	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600----	\$620----	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620----	\$640----	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640----	\$660----	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60
\$660----	\$680----	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680----	\$700----	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700----	\$720----	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720----	\$740----	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740----	\$760----	134.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760----	\$780----	139.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780----	\$800----	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800----	\$820----	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820----	\$840----	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30
\$840----	\$860----	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30
\$860----	\$880----	164.30	157.00	149.70	142.40	135.10	128.50	122.70	116.80	111.00	105.20	99.30
\$880----	\$900----	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900----	\$920----	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920----	\$940----	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940----	\$960----	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960----	\$980----	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980----	\$1,000----	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000----	\$1,020----	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020----	\$1,040----	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040----	\$1,060----	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060----	\$1,080----	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080----	\$1,100----	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100----	\$1,120----	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120----	\$1,140----	240.00	231.20	222.50	213.70	205.00	196.20	187.50	178.70	171.00	163.70	156.40
\$1,140----	\$1,160----	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160----	\$1,180----	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180----	\$1,200----	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200----	\$1,220----	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over--		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$16----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16-----	\$20----	.20	0	0	0	0	0	0	0	0	0	0
\$20-----	\$24----	.70	0	0	0	0	0	0	0	0	0	0
\$24-----	\$28----	1.30	0	0	0	0	0	0	0	0	0	0
\$28-----	\$32----	1.90	0	0	0	0	0	0	0	0	0	0
\$32-----	\$36----	2.40	0	0	0	0	0	0	0	0	0	0
\$36-----	\$40----	3.00	0	0	0	0	0	0	0	0	0	0
\$40-----	\$44----	3.50	0	0	0	0	0	0	0	0	0	0
\$44-----	\$48----	4.10	0	0	0	0	0	0	0	0	0	0
\$48-----	\$52----	4.70	0	0	0	0	0	0	0	0	0	0
\$52-----	\$56----	5.20	0	0	0	0	0	0	0	0	0	0
\$56-----	\$60----	5.80	0	0	0	0	0	0	0	0	0	0
\$60-----	\$64----	6.40	0	0	0	0	0	0	0	0	0	0
\$64-----	\$68----	7.00	0	0	0	0	0	0	0	0	0	0
\$68-----	\$72----	7.60	0	0	0	0	0	0	0	0	0	0
\$72-----	\$76----	8.20	0	0	0	0	0	0	0	0	0	0
\$76-----	\$80----	8.80	.40	0	0	0	0	0	0	0	0	0
\$80-----	\$84----	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84-----	\$88----	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88-----	\$92----	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92-----	\$96----	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96-----	\$100---	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100-----	\$104---	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104-----	\$108---	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108-----	\$112---	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112-----	\$116---	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116-----	\$120---	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120-----	\$124---	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124-----	\$128---	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128-----	\$132---	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132-----	\$136---	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136-----	\$140---	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140-----	\$144---	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144-----	\$148---	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148-----	\$152---	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152-----	\$156---	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156-----	\$160---	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160-----	\$164---	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164-----	\$168---	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168-----	\$172---	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172-----	\$176---	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176-----	\$180---	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180-----	\$184---	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184-----	\$188---	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188-----	\$192---	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192-----	\$196---	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196-----	\$200---	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200-----	\$204---	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204-----	\$208---	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208-----	\$212---	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212-----	\$216---	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216-----	\$220---	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220-----	\$224---	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224-----	\$228---	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228-----	\$232---	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232-----	\$236---	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236-----	\$240---	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240-----	\$248---	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$248-----	\$256---	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$256-----	\$264---	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$264.....	\$272....	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0	
\$272.....	\$280....	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0	
\$280.....	\$288....	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0	
\$288.....	\$296....	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0	
\$296.....	\$304....	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0	
\$304.....	\$312....	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0	
\$312.....	\$320....	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0	
\$320.....	\$328....	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0	
\$328.....	\$336....	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0	
\$336.....	\$344....	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0	
\$344.....	\$352....	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0	
\$352.....	\$360....	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0	
\$360.....	\$368....	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0	
\$368.....	\$376....	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0	
\$376.....	\$384....	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0	
\$384.....	\$392....	61.70	51.10	41.20	31.30	21.40	11.50	3.00	0	0	0	0	
\$392.....	\$400....	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0	
\$400.....	\$420....	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0	
\$420.....	\$440....	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0	
\$440.....	\$460....	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0	
\$460.....	\$480....	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0	
\$480.....	\$500....	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	0	0	0	
\$500.....	\$520....	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0	
\$520.....	\$540....	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0	
\$540.....	\$560....	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0	
\$560.....	\$580....	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0	
\$580.....	\$600....	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0	
\$600.....	\$640....	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80	
\$640.....	\$680....	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60	
\$680.....	\$720....	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90	
\$720.....	\$760....	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.60	41.60	31.60	21.70	
\$760.....	\$800....	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50	
\$800.....	\$840....	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30	
\$840.....	\$880....	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10	
\$880.....	\$920....	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90	
\$920.....	\$960....	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70	
\$960.....	\$1,000..	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40	
\$1,000....	\$1,040..	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40	
\$1,040....	\$1,080..	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40	
\$1,080....	\$1,120..	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40	
\$1,120....	\$1,160..	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40	
\$1,160....	\$1,200..	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40	
\$1,200....	\$1,240..	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40	
\$1,240....	\$1,280..	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40	
\$1,280....	\$1,320..	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40	
\$1,320....	\$1,360..	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60	
\$1,360....	\$1,400..	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60	
\$1,400....	\$1,440..	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60	
\$1,440....	\$1,480..	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60	
\$1,480....	\$1,520..	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60	
30 percent of the excess over \$1,520 plus—													
\$1,520 and over..		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60	

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16	\$20	.20	0	0	0	0	0	0	0	0	0	0
\$20	\$24	.70	0	0	0	0	0	0	0	0	0	0
\$24	\$28	1.30	0	0	0	0	0	0	0	0	0	0
\$28	\$32	1.90	0	0	0	0	0	0	0	0	0	0
\$32	\$36	2.40	0	0	0	0	0	0	0	0	0	0
\$36	\$40	3.00	0	0	0	0	0	0	0	0	0	0
\$40	\$44	3.50	0	0	0	0	0	0	0	0	0	0
\$44	\$48	4.10	0	0	0	0	0	0	0	0	0	0
\$48	\$52	4.70	0	0	0	0	0	0	0	0	0	0
\$52	\$56	5.20	0	0	0	0	0	0	0	0	0	0
\$56	\$60	5.80	0	0	0	0	0	0	0	0	0	0
\$60	\$64	6.30	0	0	0	0	0	0	0	0	0	0
\$64	\$68	6.90	0	0	0	0	0	0	0	0	0	0
\$68	\$72	7.50	0	0	0	0	0	0	0	0	0	0
\$72	\$76	8.00	0	0	0	0	0	0	0	0	0	0
\$76	\$80	8.60	.40	0	0	0	0	0	0	0	0	0
\$80	\$84	9.10	1.00	0	0	0	0	0	0	0	0	0
\$84	\$88	9.70	1.50	0	0	0	0	0	0	0	0	0
\$88	\$92	10.30	2.10	0	0	0	0	0	0	0	0	0
\$92	\$96	10.80	2.70	0	0	0	0	0	0	0	0	0
\$96	\$100	11.40	3.20	0	0	0	0	0	0	0	0	0
\$100	\$104	12.00	3.80	0	0	0	0	0	0	0	0	0
\$104	\$108	12.60	4.30	0	0	0	0	0	0	0	0	0
\$108	\$112	13.20	4.90	0	0	0	0	0	0	0	0	0
\$112	\$116	13.80	5.50	0	0	0	0	0	0	0	0	0
\$116	\$120	14.40	6.00	0	0	0	0	0	0	0	0	0
\$120	\$124	15.00	6.60	0	0	0	0	0	0	0	0	0
\$124	\$128	15.60	7.10	0	0	0	0	0	0	0	0	0
\$128	\$132	16.20	7.70	0	0	0	0	0	0	0	0	0
\$132	\$136	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$136	\$140	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$140	\$144	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$144	\$148	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$148	\$152	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$152	\$156	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$156	\$160	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$160	\$164	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$164	\$168	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$168	\$172	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$172	\$176	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$176	\$180	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$180	\$184	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$184	\$188	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$188	\$192	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$192	\$196	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$196	\$200	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$200	\$204	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$204	\$208	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$208	\$212	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$212	\$216	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$216	\$220	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$220	\$224	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$224	\$228	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$228	\$232	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$232	\$236	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$236	\$240	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$240	\$248	33.30	24.50	15.80	7.30	0	0	0	0	0	0	0
\$248	\$256	34.50	25.70	17.00	8.40	.30	0	0	0	0	0	0
\$256	\$264	35.70	26.90	18.20	9.60	1.40	0	0	0	0	0	0
\$264	\$272	36.90	28.10	19.40	10.70	2.50	0	0	0	0	0	0
\$272	\$280	38.10	29.30	20.60	11.80	3.60	0	0	0	0	0	0
\$280	\$288	39.30	30.50	21.80	13.00	4.80	0	0	0	0	0	0
\$288	\$296	40.50	31.70	23.00	14.20	5.90	0	0	0	0	0	0
\$296	\$304	41.70	32.90	24.20	15.40	7.00	0	0	0	0	0	0
\$304	\$312	42.90	34.10	25.40	16.60	8.10	0	0	0	0	0	0
\$312	\$320	44.10	35.30	26.60	17.80	9.20	1.10	0	0	0	0	0
\$320	\$328	45.30	36.50	27.80	19.00	10.40	2.20	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	261.30	249.70	238.00	226.30	214.70
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	271.10	257.70	246.00	234.30	222.70
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	281.10	266.50	254.00	242.30	230.70
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	291.10	276.50	262.00	250.30	238.70
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	301.10	286.50	271.90	258.30	246.70
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	311.10	296.50	281.90	267.30	254.70
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	321.10	306.50	291.90	277.30	262.80
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	331.10	316.50	301.90	287.30	272.80
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	326.50	311.90	297.30	282.80
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	336.50	321.90	307.30	292.80
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	346.50	331.90	317.30	302.80
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	357.40	341.90	327.30	312.80
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.40	351.90	337.30	322.80
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	363.90	347.30	332.80
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	375.90	358.40	342.80
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	352.90
30 percent of the excess over \$2,440 plus—												
\$2,440 and over—		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0-----	\$0.75----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$.75-----	\$1.00----	.05	0	0	0	0	0	0	0	0	0	0
\$1.00-----	\$1.25----	.10	0	0	0	0	0	0	0	0	0	0
\$1.25-----	\$1.50----	.10	0	0	0	0	0	0	0	0	0	0
\$1.50-----	\$1.75----	.15	0	0	0	0	0	0	0	0	0	0
\$1.75-----	\$2.00----	.20	0	0	0	0	0	0	0	0	0	0
\$2.00-----	\$2.25----	.20	0	0	0	0	0	0	0	0	0	0
\$2.25-----	\$2.50----	.25	0	0	0	0	0	0	0	0	0	0
\$2.50-----	\$2.75----	.30	0	0	0	0	0	0	0	0	0	0
\$2.75-----	\$3.00----	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00-----	\$3.25----	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25-----	\$3.50----	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50-----	\$3.75----	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75-----	\$4.00----	.50	.20	0	0	0	0	0	0	0	0	0
\$4.00-----	\$4.25----	.55	.25	0	0	0	0	0	0	0	0	0
\$4.25-----	\$4.50----	.60	.25	0	0	0	0	0	0	0	0	0
\$4.50-----	\$4.75----	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75-----	\$5.00----	.65	.35	.05	0	0	0	0	0	0	0	0
\$5.00-----	\$5.25----	.70	.40	.10	0	0	0	0	0	0	0	0
\$5.25-----	\$5.50----	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.50-----	\$5.75----	.80	.45	.15	0	0	0	0	0	0	0	0
\$5.75-----	\$6.00----	.85	.50	.20	0	0	0	0	0	0	0	0
\$6.00-----	\$6.25----	.90	.55	.25	0	0	0	0	0	0	0	0
\$6.25-----	\$6.50----	.90	.60	.30	0	0	0	0	0	0	0	0
\$6.50-----	\$6.75----	.95	.65	.30	.05	0	0	0	0	0	0	0
\$6.75-----	\$7.00----	1.00	.70	.35	.10	0	0	0	0	0	0	0
\$7.00-----	\$7.25----	1.05	.70	.40	.10	0	0	0	0	0	0	0
\$7.25-----	\$7.50----	1.10	.75	.45	.15	0	0	0	0	0	0	0
\$7.50-----	\$7.75----	1.15	.80	.50	.20	0	0	0	0	0	0	0
\$7.75-----	\$8.00----	1.20	.85	.55	.20	0	0	0	0	0	0	0
\$8.00-----	\$8.25----	1.20	.90	.55	.25	0	0	0	0	0	0	0
\$8.25-----	\$8.50----	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$8.50-----	\$8.75----	1.30	1.00	.65	.35	.05	0	0	0	0	0	0
\$8.75-----	\$9.00----	1.35	1.00	.70	.35	.10	0	0	0	0	0	0
\$9.00-----	\$9.25----	1.40	1.05	.75	.40	.15	0	0	0	0	0	0
\$9.25-----	\$9.50----	1.45	1.10	.80	.45	.15	0	0	0	0	0	0
\$9.50-----	\$9.75----	1.45	1.15	.80	.50	.20	0	0	0	0	0	0
\$9.75-----	\$10.00---	1.50	1.20	.85	.55	.25	0	0	0	0	0	0
\$10.00-----	\$10.50---	1.60	1.25	.95	.60	.30	0	0	0	0	0	0
\$10.50-----	\$11.00---	1.65	1.35	1.00	.70	.35	.10	0	0	0	0	0
\$11.00-----	\$11.50---	1.75	1.40	1.10	.75	.45	.15	0	0	0	0	0
\$11.50-----	\$12.00---	1.85	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$12.00-----	\$12.50---	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0	0
\$12.50-----	\$13.00---	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0	0
\$13.00-----	\$13.50---	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0	0
\$13.50-----	\$14.00---	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$14.00-----	\$14.50---	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0	0
\$14.50-----	\$15.00---	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$15.00-----	\$15.50---	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0	0
\$15.50-----	\$16.00---	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0	0
\$16.00-----	\$16.50---	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0	0
\$16.50-----	\$17.00---	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0	0
\$17.00-----	\$17.50---	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0	0
\$17.50-----	\$18.00---	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0	0
\$18.00-----	\$18.50---	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05	0
\$18.50-----	\$19.00---	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15	0
\$19.00-----	\$19.50---	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20	0
\$19.50-----	\$20.00---	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30	0
\$20.00-----	\$21.00---	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40	.10
\$21.00-----	\$22.00---	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25
\$22.00-----	\$23.00---	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40
\$23.00-----	\$24.00---	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55
\$24.00-----	\$25.00---	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75
\$25.00-----	\$26.00---	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90
\$26.00-----	\$27.00---	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40	1.10

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$27.00---	\$28.00-	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60	\$1.25
\$28.00---	\$29.00-	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75	1.40
\$29.00---	\$30.00-	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00---	\$31.00-	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00---	\$32.00-	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00---	\$33.00-	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00---	\$34.00-	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00---	\$35.00-	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00---	\$36.00-	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00---	\$37.00-	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30	2.95
\$37.00---	\$38.00-	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50	3.15
\$38.00---	\$39.00-	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.55	4.10	3.70	3.35
\$39.00---	\$40.00-	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00---	\$41.00-	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00---	\$42.00-	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00---	\$43.00-	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00---	\$44.00-	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00---	\$45.00-	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00---	\$46.00-	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00---	\$47.00-	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00---	\$48.00-	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00---	\$49.00-	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00---	\$50.00-	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
		30 percent of the excess over \$50 plus—										
\$50 and over-----		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.00

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0	\$0.75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75	\$1.00	.05	0	0	0	0	0	0	0	0	0	0
\$1.00	\$1.25	.10	0	0	0	0	0	0	0	0	0	0
\$1.25	\$1.50	.10	0	0	0	0	0	0	0	0	0	0
\$1.50	\$1.75	.15	0	0	0	0	0	0	0	0	0	0
\$1.75	\$2.00	.20	0	0	0	0	0	0	0	0	0	0
\$2.00	\$2.25	.20	0	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.25	0	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.30	0	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75	\$5.00	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00	\$5.25	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25	\$5.50	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50	\$5.75	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75	\$6.00	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00	\$6.25	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25	\$6.50	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50	\$6.75	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75	\$7.00	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00	\$7.25	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25	\$7.50	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50	\$7.75	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75	\$8.00	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00	\$8.25	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25	\$8.50	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50	\$8.75	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75	\$9.00	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00	\$9.25	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25	\$9.50	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50	\$9.75	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75	\$10.00	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00	\$10.50	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50	\$11.00	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00	\$11.50	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50	\$12.00	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00	\$12.50	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50	\$13.00	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00	\$13.50	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50	\$14.00	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0
\$14.00	\$14.50	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50	\$15.00	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00	\$15.50	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50	\$16.00	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00	\$16.50	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50	\$17.00	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00	\$17.50	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50	\$18.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00	\$18.50	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50	\$19.00	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00	\$19.50	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50	\$20.00	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00	\$21.00	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00	\$22.00	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00	\$23.00	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00	\$24.00	3.55	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00	\$25.00	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.75

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$25.00---	\$26.00-	\$4.05	\$3.65	\$3.35	\$3.00	\$2.70	\$2.35	\$2.05	\$1.70	\$1.40	\$1.15	\$.85
\$26.00---	\$27.00-	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00---	\$28.00-	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00---	\$29.00-	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00---	\$30.00-	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00---	\$31.00-	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00---	\$32.00-	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00---	\$33.00-	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00---	\$34.00-	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00---	\$35.00-	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00---	\$36.00-	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00---	\$37.00-	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00---	\$38.00-	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00---	\$39.00-	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00---	\$40.00-	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00---	\$41.00-	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00---	\$42.00-	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00---	\$43.00-	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00---	\$44.00-	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00---	\$45.00-	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00---	\$46.00-	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00---	\$47.00-	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00---	\$48.00-	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00---	\$49.00-	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00---	\$50.00-	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00---	\$51.00-	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00---	\$52.00-	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00---	\$53.00-	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00---	\$54.00-	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00---	\$55.00-	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00---	\$56.00-	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00---	\$57.00-	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00---	\$58.00-	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00---	\$59.00-	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00---	\$60.00-	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00---	\$61.00-	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00---	\$62.00-	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00---	\$63.00-	12.25	11.65	11.15	10.70	10.20	9.75	9.25	8.75	8.35	7.95	7.60
\$63.00---	\$64.00-	12.55	11.95	11.40	10.95	10.45	10.00	9.50	9.00	8.55	8.15	7.80
\$64.00---	\$65.00-	12.85	12.25	11.70	11.20	10.70	10.25	9.75	9.25	8.80	8.35	8.00
\$65.00---	\$66.00-	13.15	12.55	12.00	11.45	10.95	10.50	10.00	9.50	9.05	8.55	8.20
\$66.00---	\$67.00-	13.45	12.85	12.30	11.70	11.20	10.75	10.25	9.75	9.30	8.80	8.40
\$67.00---	\$68.00-	13.75	13.15	12.60	12.00	11.45	11.00	10.50	10.00	9.55	9.05	8.60
\$68.00---	\$69.00-	14.05	13.45	12.90	12.30	11.75	11.25	10.75	10.25	9.80	9.30	8.85
\$69.00---	\$70.00-	14.35	13.75	13.20	12.60	12.05	11.50	11.00	10.50	10.05	9.55	9.10
\$70.00---	\$71.00-	14.65	14.05	13.50	12.90	12.35	11.75	11.25	10.75	10.30	9.80	9.35
\$71.00---	\$72.00-	14.95	14.35	13.80	13.20	12.65	12.05	11.50	11.00	10.55	10.05	9.60
\$72.00---	\$73.00-	15.25	14.65	14.10	13.50	12.95	12.35	11.80	11.25	10.80	10.30	9.85
\$73.00---	\$74.00-	15.55	14.95	14.40	13.80	13.25	12.65	12.10	11.50	11.05	10.55	10.10
\$74.00---	\$75.00-	15.85	15.25	14.70	14.10	13.55	12.95	12.40	11.80	11.30	10.80	10.35
\$75.00---	\$76.00-	16.15	15.55	15.00	14.40	13.85	13.25	12.70	12.10	11.55	11.05	10.60
\$76.00---	\$77.00-	16.45	15.85	15.30	14.70	14.15	13.55	13.00	12.40	11.85	11.30	10.85
\$77.00---	\$78.00-	16.75	16.15	15.60	15.00	14.45	13.85	13.30	12.70	12.15	11.55	11.10
\$78.00---	\$79.00-	17.05	16.45	15.90	15.30	14.75	14.15	13.60	13.00	12.45	11.85	11.35
\$79.00---	\$80.00-	17.35	16.75	16.20	15.60	15.05	14.45	13.90	13.30	12.75	12.15	11.60
		30 percent of the excess over \$80 plus—										
\$80 and over-----		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

(d) DISCLOSURE OF MARITAL STATUS; DETERMINATION OF MARITAL STATUS; TREATMENT OF SURVIVING SPOUSE.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(1) DETERMINATION AND DISCLOSURE OF MARITAL STATUS.—

“(1) DETERMINATION OF STATUS BY EMPLOYER.—For purposes of applying the tables in subsections (a) and (c) to a payment of wages, the employer shall treat the employee as a single person unless there is in effect with respect to such payment of wages a withholding exemption certificate furnished to the employer by the employee after the date of the enactment of this subsection indicating that the employee is married.

“(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An employee shall be entitled to furnish the employer with a withholding exemption certificate indicating he is married only if, on the day of such furnishing, he is married (determined with the application of the rules in para-

1 graph (3)). An employee whose marital status
 2 changes from married to single shall, at such time as the
 3 Secretary or his delegate may by regulations prescribe,
 4 furnish the employer with a new withholding exemption
 5 certificate.

6 “(3) DETERMINATION OF MARITAL STATUS.—For
 7 purposes of paragraph (2), an employee shall on any
 8 day be considered—

9 “(A) as not married, if (i) he is legally
 10 separated from his spouse under a decree of divorce
 11 or separate maintenance, or (ii) either he or his
 12 spouse is, or on any preceding day within the
 13 calendar year was, a nonresident alien; or

14 “(B) as married, if (i) his spouse (other than
 15 a spouse referred to in subparagraph (A)) died
 16 within the portion of his taxable year which pre-
 17 cedes such day, or (ii) his spouse died during one
 18 of the two taxable years immediately preceding
 19 the current taxable year and, on the basis of facts
 20 existing at the beginning of such day, the employee
 21 reasonably expects, at the close of his taxable year,
 22 to be a surviving spouse (as defined in section 2
 23 (b)).”

24 (e) WITHHOLDING ALLOWANCES FOR ITEMIZED DE-
 25 Ductions.—

(1) ALLOWANCE.—Section 3402 (f) (1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of —

1 “(A) his estimated itemized deductions, over

2 “(B) an amount equal to the sum of 12 per-

3 cent of the first \$7,500 of his estimated wages and

4 17 percent of the remainder of his estimated wages.

5 If the number determined under the preceding sentence is

6 not a whole number, the fraction shall be disregarded; ex-

7 cept that, if the number determined is one-half or more but

8 less than one, it shall be increased to one.

9 “(2) DEFINITIONS.—For purposes of this sub-

10 section—

11 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—

12 The term ‘estimated itemized deductions’ means the

13 aggregate amount which he reasonably expects will

14 be allowable as deductions under chapter 1 (other

15 than the deductions referred to in sections 141 and

16 151 and other than the deductions required to be

17 taken into account in determining adjusted gross

18 income under section 62) for the estimation year.

19 In no case shall such aggregate amount be greater

20 than the amount of such deductions shown on his

21 return of tax under subtitle A for the taxable year

22 preceding the estimation year.

23 “(B) ESTIMATED WAGES.—The term ‘esti-

24 mated wages’ means the aggregate amount which he

25 reasonably expects will constitute wages for the

26 estimation year. In no case shall such aggregate

1 amount be less than the amount of wages shown
2 on his return for the taxable year preceding the
3 estimation year.

4 “(C) ESTIMATION YEAR.—In the case of an
5 employee who files his return on the basis of a
6 calendar year, the term ‘estimation year’ means—

7 “(i) with respect to payments of wages
8 after April 30 and on or before December 31
9 of any calendar year, such calendar year, and

10 “(ii) with respect to payments of wages
11 on or after January 1 and before May 1 of any
12 calendar year, the preceding calendar year (or,
13 if the employee has filed a return for the pre-
14 ceding calendar year, and if he has in effect
15 a withholding allowance under this subsection
16 based on using the current calendar year as
17 the estimation year, such current calendar
18 year).

19 In the case of an employee who files his return on
20 a basis other than the calendar year, his estimation
21 year, and the amounts deducted and withheld to be
22 governed by such estimation year, shall be deter-
23 mined under regulations prescribed by the Secretary
24 or his delegate.

1 “(3) SPECIAL RULES.—

2 “(A) MARRIED INDIVIDUALS.—The number of
3 withholding allowances to which a husband and
4 wife are entitled under this subsection shall be de-
5 termined on the basis of their combined wages and
6 deductions. This subparagraph shall not apply to a
7 husband and wife who filed separate returns for the
8 taxable year preceding the estimation year and who
9 reasonably expect to file separate returns for the
10 estimation year.

11 “(B) ONLY ONE CERTIFICATE TO BE IN
12 EFFECT.—In the case of any employee, withhold-
13 ing allowances under this subsection may not be
14 claimed with more than one employer at any one
15 time.

16 “(C) TERMINATION OF EFFECTIVENESS.—In
17 the case of an employee who files his return on the
18 basis of a calendar year, that portion of a withhold-
19 ing exemption certificate which relates to allow-
20 ances under this subsection shall not be effective
21 with respect to payments of wages after the first
22 April 30 following the close of the estimation year
23 on which it is based.

24 “(D) LIMITATION.—The Secretary or his
25 delegate may by regulations provide that one or

more of the withholding allowances to which an employee would, but for this subparagraph, be entitled under this subsection shall be denied because such employee's estimated wages are above the level at which the amounts deducted and withheld under this chapter are generally sufficient to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld.

“(E) AUTHORITY TO PRESCRIBE TABLES.—

The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. Such tables may be based on reasonable wage and itemized deduction brackets.

“(F) TREATMENT OF ALLOWANCES.—For

purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding exemption.”

(3) STATUS DETERMINATION DATE.—The last sen-

tence of section 3402 (f) (3) (B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) CIVIL PENALTY.—

1 (A) Subchapter B of chapter 68 (relating to
2 assessable penalties) is amended by adding at the
3 end thereof the following new section:

4 **“SEC. 6682. FALSE INFORMATION WITH RESPECT TO**
5 **WITHHOLDING ALLOWANCES BASED ON**
6 **ITEMIZED DEDUCTIONS.**

7 “(a) CIVIL PENALTY.—In addition to any criminal
8 penalty provided by law, if any individual in claiming a
9 withholding allowance under section 3402 (f) (1) (F) states
10 (1) that the wages (within the meaning of chapter 24)
11 shown on his return for any taxable year were less than
12 such wages actually shown, or (2) that the itemized deduc-
13 tions referred to in section 3402 (m) on the return for any
14 taxable year were greater than such deductions actually
15 shown, he shall pay a penalty of \$50 for each such state-
16 ment, unless (1) such statement did not result in a decrease
17 in the amounts deducted and withheld under chapter 24, or
18 (2) the taxes imposed with respect to the individual under
19 subtitle A for the succeeding taxable year do not exceed
20 the sum of (A) the credits against such taxes allowed by
21 part IV of subchapter A of chapter 1, and (B) the pay-
22 ments of estimated tax which are considered payments on
23 account of such taxes.

24 “(b) DEFICIENCY PROCEDURES NOT TO APPLY.—
25 Subchapter B of chapter 63 (relating to deficiency pro-

cedures for income, estate, and gift taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

“Sec. 6682. False information with respect to withholding allowances based on itemized deductions.”

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended—

(A) by striking out “section 3402 (f)” and inserting in lieu thereof “section 3402”, and

(B) by striking out “any penalty otherwise provided” and inserting in lieu thereof “any other penalty provided by law (except the penalty provided by section 6682)”.

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402 (f) (3) (B) of the Internal

1 Revenue Code of 1954, a withholding exemption certificate
 2 furnished the employer after the date of the enactment of
 3 this Act and before May 1, 1966, shall take effect with
 4 respect to the first payment of wages made on or after
 5 May 1, 1966, or the 10th day after the date on which such
 6 certificate is furnished to the employer, whichever is later,
 7 and at the election of the employer such certificate may
 8 be made effective with respect to any payment of wages
 9 made on or after the date on which such certificate is
 10 furnished.

11 (g) EFFECTIVE DATE.—The amendments made by
 12 this section (other than subsection (e)) shall apply only
 13 with respect to remuneration paid after April 30, 1966.

14 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

15 (a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-
 16 MATED TAX.—Section 6015 (c) (relating to definition of
 17 estimated tax in the case of an individual) is amended to
 18 read as follows:

19 “(c) ESTIMATED TAX.—For purposes of this title, in
 20 the case of an individual, the term ‘estimated tax’ means—

21 “(1) the amount which the individual estimates as
 22 the amount of the income tax imposed by chapter 1
 23 for the taxable year, plus

24 “(2) the amount which the individual estimates

as the amount of the self-employment tax imposed by chapter 2 for the taxable year, minus

“(3) the amount which the individual estimates as the sum of any credits against tax provided by part IV of subchapter A of chapter 1.”

(b) ADDITION TO TAX FOR UNDERPAYMENT OF ESTIMATED TAX.—

(1) Section 6654 (a) (relating to addition to the tax for underpayment of estimated tax by an individual) is amended by inserting after “chapter 1” the following: “and the tax under chapter 2”.

(2) Section 6654 (d) is amended to read as follows:

“(d) EXCEPTION.—Notwithstanding the provisions of the preceding subsections, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

“(1) The tax shown on the return of the individual for the preceding taxable year, if a return showing a

1 liability for tax was filed by the individual for the pre-
2 ceding taxable year and such preceding year was a
3 taxable year of 12 months.

4 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
5 in the case of individuals referred to in section 6073 (b),
6 relating to income from farming or fishing) of the tax
7 for the taxable year computed by placing on an annual-
8 ized basis the taxable income for the months in the
9 taxable year ending before the month in which the
10 installment is required to be paid and by taking into
11 account the adjusted self-employment income (if the
12 net earnings from self-employment (as defined in sec-
13 tion 1402 (a)) for the taxable year equal or exceed
14 \$400). For purposes of this paragraph—

15 “(A) The taxable income shall be placed on
16 an annualized basis by—

17 “(i) multiplying by 12 (or, in the case
18 of a taxable year of less than 12 months, the
19 number of months in the taxable year) the tax-
20 able income (computed without deduction of
21 personal exemptions) for the months in the tax-
22 able year ending before the month in which the
23 installment is required to be paid,

1 “(ii) dividing the resulting amount by the
2 number of months in the taxable year ending
3 before the month in which such installment date
4 falls, and

5 “(iii) deducting from such amount the de-
6 ductions for personal exemptions allowable for
7 the taxable year (such personal exemptions
8 being determined as of the last date prescribed
9 for payment of the installment).

10 “(B) The term ‘adjusted self-employment in-
11 come’ means—

12 “(i) the net earnings from self-employ-
13 ment (as defined in section 1402 (a)) for the
14 months in the taxable year ending before the
15 month in which the installment is required to
16 be paid, but not more than

17 “(ii) the excess of \$6,600 over the amount
18 determined by placing the wages (within the
19 meaning of section 1402 (b)) for the months in
20 the taxable year ending before the month in
21 which the installment is required to be paid on
22 an annualized basis in a manner consistent with
23 clauses (i) and (ii) of subparagraph (A).

1 “(3) An amount equal to 90 percent of the tax
2 computed, at the rates applicable to the taxable year,
3 on the basis of the actual taxable income and the actual
4 self-employment income for the months in the taxable
5 year ending before the month in which the installment
6 is required to be paid as if such months constituted the
7 taxable year.

8 “(4) An amount equal to the tax computed, at the
9 rates applicable to the taxable year, on the basis of the
10 taxpayer’s status with respect to personal exemptions
11 under section 151 for the taxable year, but otherwise on
12 the basis of the facts shown on his return for, and the
13 law applicable to, the preceding taxable year.”

14 (3) Section 6654 (f) (relating to definition of tax
15 for purposes of subsections (b) and (d) of section 6654)
16 is amended to read as follows:

17 “(f) TAX COMPUTED AFTER APPLICATION OF
18 CREDITS AGAINST TAX.—For purposes of subsections (b)
19 and (d), the term ‘tax’ means—

20 “(1) the tax imposed by this chapter 1, plus

1 “(2) the tax imposed by chapter 2, minus

2 “(3) the credits against tax allowed by part IV
3 of subchapter A of chapter 1, other than the credit
4 against tax provided by section 31 (relating to tax
5 withheld on wages).”

6 (4) Section 7701 (a) (relating to definitions) is
7 amended by adding at the end thereof the following
8 new paragraph:

9 “(34) ESTIMATED INCOME TAX.—The term ‘esti-
10 mated income tax’ means—

11 “(A) in the case of an individual, the esti-
12 mated tax as defined in section 6015 (c), or

13 “(B) in the case of a corporation, the esti-
14 mated tax as defined in section 6016 (b).”

15 (5) Section 1403 (b) (cross references) is
16 amended by adding at the end thereof the following new
17 paragraph:

 “(3) For provisions relating to declarations of esti-
 mated tax on self-employment income, see section 6015.”

18 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
19 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402 (e)

1 (3) (relating to effective date of waiver certificates) is
 2 amended by adding at the end thereof the following new
 3 subparagraph:

4 “(E) For purposes of sections 6015 and 6654,
 5 a waiver certificate described in paragraph (1)
 6 shall be treated as taking effect on the first day of
 7 the first taxable year beginning after the date on
 8 which such certificate is filed.”

9 (d) EFFECTIVE DATE.—The amendments made by sub-
 10 sections (a), (b), and (c) shall apply with respect to tax-
 11 able years beginning after December 31, 1966.

12 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
 13 **MATED INCOME TAX IN CASE OF INDIVID-**
 14 **UALS.**

15 (a) IN GENERAL.—Section 6654 (b) (relating to
 16 amount of underpayment), and section 6654 (d) (relating
 17 to exception) as amended by section 102 (b) (2) of this
 18 Act, are amended by striking out “70 percent” each place
 19 it appears and inserting in lieu thereof “80 percent”.

20 (b) EFFECTIVE DATE.—The amendments made by

1 subsection (a) shall apply with respect to taxable years
2 beginning after December 31, 1966.

3 **SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-**
4 **COME TAX BY CORPORATIONS.**

5 (a) **IN GENERAL.**—Subsection (a) of section 6154
6 (relating to installment payments of estimated income tax
7 by corporations) is amended to read as follows:

8 “(a) **AMOUNT AND TIME FOR PAYMENT OF EACH**
9 **INSTALLMENT.**—The amount of estimated tax (as defined
10 in section 6016(b)) with respect to which a declaration
11 is required under section 6016 shall be paid as follows:

12 “(1) **TAXABLE YEARS BEGINNING IN 1966.**—
13 With respect to taxable years beginning after Decem-
14 ber 31, 1965, and before January 1, 1967, such esti-
15 mated tax shall be paid in installments in accordance
16 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

17 “(2) **TAXABLE YEARS BEGINNING AFTER 1966.**—
18 With respect to taxable years beginning after December

1 31, 1966, such estimated tax shall be paid in install-
2 ments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month)		33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$
9th month of the taxable year (but after the 15th day of the 6th month)			50	50
12th month of the taxable year (but after the 15th day of the 9th month)				100

3 “(3) TIMELY FILING.—A declaration is timely
4 filed for the purposes of paragraphs (1) and (2) if it is
5 not required by section 6074 (a) to be filed on a date
6 (determined without regard to any extension of time
7 for filing the declaration under section 6081) before
8 the date it is actually filed.

9 “(4) LATE FILING.—If the declaration is filed after
10 the time prescribed in section 6074 (a) (determined
11 without regard to any extension of time for filing the
12 declaration under section 6081), there shall be paid at
13 the time of such filing all installments of estimated tax
14 which would have been payable on or before such time
15 if the declaration had been filed within the time pre-
16 scribed in section 6074 (a), and the remaining install-
17 ments shall be paid at the times at which, and in the
18 amounts in which, they would have been payable if the
19 declaration had been so filed.”

1 (b) **EFFECTIVE DATE.**—The amendment made by sub-
 2 section (a) shall apply with respect to taxable years begin-
 3 ning after December 31, 1965.

4 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
 5 **TAX RATE REDUCTIONS**

6 **SEC. 201. PASSENGER AUTOMOBILES.**

7 (a) **POSTPONEMENT OF RATE REDUCTIONS.**—Sub-
 8 paragraph (A) of section 4061 (a) (2) (relating to im-
 9 position of tax) is amended to read as follows:

10 “(A) Articles enumerated in subparagraph (B)
 11 are taxable at whichever of the following rates is
 12 applicable:

13 “7 percent for the period beginning with the day
 14 after the date of the enactment of the Tax
 15 Adjustment Act of 1966 through March 31,
 16 1968.

17 “2 percent for the period April 1, 1968, through
 18 December 31, 1968.

19 “1 percent for the period after December 31, 1968.”

20 (b) **FLOOR STOCKS TAX.**—Section 4226 (relating to
 21 floor stocks taxes) is amended—

22 (1) By adding at the end of subsection (a) the
 23 following new paragraph:

24 “(8) **1966 TAX ON AUTOMOBILES.**—On any arti-

1 cle subject to tax under section 4061 (a) (2) which on
 2 the day after the date of the enactment of the Tax
 3 Adjustment Act of 1966 is held by a dealer and has not
 4 been used and is intended for sale, there is imposed a
 5 floor stocks tax at the rate of 1 percent of the price for
 6 which the article was sold by the manufacturer, pro-
 7 ducer, or importer. Under regulations prescribed by the
 8 Secretary or his delegate, the tax imposed under this
 9 paragraph shall be paid by such dealer and shall be col-
 10 lected from him by the manufacturer, producer, or im-
 11 porter.”

12 (2) By amending subsection (d) —

13 (A) by striking out “and except” and insert-
 14 ing in lieu thereof “except”, and

15 (B) by striking out “delegate.” and inserting
 16 in lieu thereof “delegate, and except that the tax
 17 imposed by paragraph (8) shall be paid at such
 18 time after 60 days after the date of enactment of
 19 the Tax Adjustment Act of 1966 as may be pre-
 20 scribed by the Secretary or his delegate.”

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 6412 (a) (1) (relating to floor stocks
 23 refunds on passenger automobiles, etc.) is amended by
 24 striking out “January 1, 1966, 1967, 1968, or 1969,”

and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969,”.

(2) Section 209 (c) (1) (G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out “section 4226 (a)” and inserting in lieu thereof “section 4226 (a) (other than paragraph (8) thereof)”.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a) (2) and inserting in lieu thereof:

“(2) The rate of tax referred to in paragraph (1) is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“Before April 1, 1968_____	10
“After March 31, 1968, and before January 1, 1969_____	1”

(2) By striking out subsection (c) and inserting in lieu thereof:

“(c) SPECIAL RULE.—For purposes of subsection (a), in the case of communications services rendered before Feb-

1 ruary 1, 1968, for which a bill has not been rendered before
2 April 1, 1968, a bill shall be treated as having been first
3 rendered on March 31, 1968. For purposes of subsections
4 (a) and (b), in the case of communications services ren-
5 dered after January 31, 1968, and before November 1,
6 1968, for which a bill has not been rendered before Jan-
7 uary 1, 1969, a bill shall be treated as having been first
8 rendered on December 31, 1968.”

9 (b) NONPROFIT HOSPITALS.—Section 4253 (relating
10 to exemptions from tax on communications) is amended by
11 adding at the end thereof the following new subsection:

12 “(h) NONPROFIT HOSPITALS.—No tax shall be im-
13 posed under section 4251 on any amount paid by a non-
14 profit hospital for services furnished to such organization.
15 For purposes of this subsection, the term ‘nonprofit hospital’
16 means a hospital referred to in section 503 (b) (5) which is
17 exempt from income tax under section 501 (a).”

18 (c) EFFECTIVE DATE.—The amendments made by sub-
19 sections (a) and (b) shall apply to amounts paid pursuant
20 to bills first rendered on or after the first day of the first
21 month which begins more than 15 days after the date on
22 which this Act is enacted for services rendered on or after
23 such first day. In the case of amounts paid pursuant to bills
24 rendered on or after such first day for services which were

1 rendered before such first day and for which no previous bill
2 was rendered, such amendments shall apply except with re-
3 spect to such services as were rendered more than 2 months
4 before such first day. In the case of services rendered more
5 than 2 months before such first day, the provisions of sub-
6 chapter B of chapter 33 of the Code in effect at the time such
7 services were rendered, subject to the provision of section
8 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
9 apply to the amounts paid for such services.

Passed the House of Representatives February 23, 1966.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

FEBRUARY 24, 1966

Read twice and referred to the Committee on Finance

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued March 2, 1966
For actions of March 1, 1966
89th-2nd; No. 36

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HIGHLIGHTS: Both Houses received President's message on child nutrition, health, and education. House Rules Committee cleared cotton research and promotion bill. Rep. Langen expressed concern over alleged increases in foreign sugar imports. Sen. Mondale introduced and discussed food reserve bill. Rep. Dole introduced and discussed bill to provide permanent special milk program. Sen. Kennedy, Mass., urged use of fish protein concentrate in Food for Freedom program.

SENATE

1. CHILD NUTRITION; HEALTH; EDUCATION. Both Houses received the President's message on child nutrition, health, and education in which he: Stated he was submitting the Child Nutrition Act of 1966 to redirect our efforts to provide food to those who need it most, and which will: extend the school lunch program to more needy children and give greater flexibility in providing low cost or no cost meals; assist schools serving low-income districts to acquire kitchen and lunchroom facilities; provide pilot school breakfast programs for those children who start the day hungry; direct the special milk program to those schools

without food service, to schools serving children from low-income families, and to needy schoolchildren at whatever school they attend; start demonstration summer programs to provide food service for needy children at child-care centers and playgrounds; and help State educational agencies strengthen their staffs to improve child nutrition programs. Stated he was requesting \$50 million for programs designed to provide adequate nutrition for disadvantaged children, which is in addition to the \$329 million in cash and commodities already included in the budget for school nutrition programs. Stated he was directing this Department, HEW, and OEP to examine means by which the benefits of sound nutrition can be extended to every child who needs our help. Stated he has directed HEW to initiate a special food service program at multipurpose centers for elderly Americans. Stated he was recommending a program of grants to enable States and communities to plan the better use of manpower, facilities, and financial resources for comprehensive health services. Recommended a four-year extension of the Elementary and Secondary Education Act with the earmarking of additional funds for children of migrant workers. Recommended a five-year extension of the Library Services and Construction Act. (H. Doc. 395) To S. Labor and Public Welfare and H. Education and Labor Committees. pp. 4145-9, 4239-43

2. TAXATION. The Finance Committee voted to report (but did not actually report) with amendments H. R. 12752, the proposed Tax Adjustment Act (p. D141). The Committee was granted permission until midnight, Mar. 3, to report the bill (p. 4235).
3. FOREIGN CURRENCIES. The Banking and Currency Committee voted to report (but did not actually report) S. 801, to permit the use of reserved foreign currencies in lieu of dollars for current expenditures. p. D141
4. SMALL BUSINESS. The Banking and Currency Committee voted to report (but did not actually report) with amendment S. 2729, to increase the ceiling on the Small Business Administration revolving fund. p. D141
5. FOOD FOR FREEDOM. Sen. Kennedy, Mass., urged that fish protein concentrate be included among the commodities to be purchased by CCC for use in the proposed Food for Freedom program. pp. 4157-9
Sen. McGovern inserted and commended an editorial supporting the proposed Food for Freedom program. p. 4157
Cosponsors were added to an amendment by Sen. Bartlett intended to be proposed to S. 2933, the Food for Freedom bill, which would permit the use of CCC funds to purchase domestic fishery products for the program. p. 4155
6. SCHOOL MILK; SCHOOL LUNCH. Sens. Proxmire and Nelson inserted items critical of budget cuts in the school milk and school lunch programs. pp. 4174, 4179-80
7. FARM LABOR. Sen. Williams, N. J., inserted and commended an editorial favoring minimum wages for farm workers. p. 4169
8. TOBACCO; INFORMATION. Sen. Bass defended the use of a motion picture, which he stated was partially sponsored by this Department, to promote the sale of U.S. tobacco abroad. p. 4168
9. COMMITTEE ASSIGNMENTS. Sen. Anderson was appointed a member of the Joint Committee on Reduction of Nonessential Federal Expenditures to fill the vacancy created by retirement of Sen. Byrd. p. 4226

bills. Its unfinished business is H.R. 12563, to provide for participation in the Asian Development Bank.

Majority leader announced that Senate will probably meet early on Friday, March 4, with intention of disposing of H.R. 12752, the tax adjustment bill, that day if possible.

Pages 4234, 4235, 4236

Committee Meetings

(Committees not listed did not meet)

NASA AUTHORIZATIONS

Committee on Aeronautical and Space Sciences: Committee continued its hearings on S. 2909, fiscal 1967 authorizations for the National Aeronautics and Space Administration, having as its witness Dr. George E. Mueller, Associate Administrator for Manned Space Flight, NASA.

Hearings continue tomorrow.

APPROPRIATIONS—AGRICULTURE

Committee on Appropriations: Subcommittee began hearings on fiscal 1967 budget estimates for the Department of Agriculture, and related agencies, receiving testimony from Secretary Orville L. Freeman, who discussed the overall budget for his department; and Raymond A. Ioanes, Administrator, Foreign Agricultural Service, and John C. Bagwell, General Counsel, both of whom were accompanied by their associates.

Hearings continue tomorrow.

APPROPRIATIONS—INTERIOR

Committee on Appropriations: Subcommittee continued its hearings on fiscal 1967 budget estimates for the Department of the Interior, and related agencies, receiving testimony from Dr. Walter R. Hibbard, Jr., Director, Bureau of Mines, who was accompanied by his associates.

Hearings continue tomorrow.

COMMITTEE BUSINESS

Committee on Banking and Currency: Committee, in executive session, ordered favorably reported the following bills: S. 801, to permit the use of reserved foreign currency in lieu of dollars for current expenditures; S. 2499, authorizing the Small Business Administration to sell participations in pools of SBA loans directly or through FNMA (amended); S. 2719, authorizing the mint to strike 200,000 medals and sell them at cost to the Alaska Centennial Commission; S. 2729, increasing by \$125 million the ceiling on the SBA revolving fund (amended); S. 2831, authorizing the mint to strike 150,000 medals and sell them at cost to the Scranton Association, Inc., which is commemorating the 100th anniversary of Scranton, Pa.; S. 2835, to authorize the mint to strike 50,000 medals and sell them at cost to the American Numismatic Association, which is celebrating

its 75th anniversary; and H.R. 7526, to authorize the mint to strike 100,000 medals and sell them at cost to the HemisFair Corporation, which is celebrating the 250th anniversary of San Antonio.

LOCAL AIR CARRIERS

Committee on Commerce: The Aviation Subcommittee continued its series of hearings for a review of the local air carrier industry, having as its witnesses Stuart G. Tipton, Air Transportation Association of America; Joseph P. Adams, Association of Local Transport Airlines; Edwin I. Colodny, Allegheny Airlines, Inc.; M. Lamar Muse, Central Airlines, Inc.; Lewis W. Dymond, Frontier Airlines, Inc.; Lloyd W. Hartman, Lake Central Airlines, Inc.; Frank W. Hulse, Southern Airways, Inc.

Hearings continue on Thursday, March 3.

TAXATION

Committee on Finance: Committee, in executive session, by a vote of 13 to 0, ordered favorably reported with amendments H.R. 12752, proposed Tax Adjustment Act. Amendments adopted to the bill would (1) delete the 1-percent floor stock tax on auto dealers' inventories; (2) make a technical amendment to the graduated withholding provision relating to eligibility for withholding allowances; (3) disallow deduction for certain indirect political contributions; and (4) require the Secretary of Agriculture to send information returns to recipients of agricultural payments showing total amount of payment made during the year.

Prior to this action, committee concluded its hearings on the bill after receiving further testimony from Secretary of the Treasury Henry H. Fowler.

COMMITTEE BUSINESS

Committee on Interior and Insular Affairs: Committee, in executive session, ordered favorably reported without amendment S. 2153, authorizing payment of medical expenses of certain employees disabled from injury or illness not attributable to official work.

Committee also approved a committee resolution approving a rehabilitation and betterment contract with the Uncompahgre Valley Water Users Association, Colorado, for the purpose of rehabilitation of existing Gunnison Tunnel. This action expedites the normal 60-day waiting period prescribed by law.

Also, committee announced that its Subcommittee on Water and Power Resources will hold hearings (1) on March 8 on S. 2287, authorizing hydrologic study of the Delmarva Peninsula, and (2) on March 21-23, on S. 2875, weather modification bill.

APPELLATE REVIEW OF SENTENCES

Committee on the Judiciary: Subcommittee on Improvements in Judicial Machinery held hearings on S. 2722, to provide appellate review of criminal sentences, having

as its witnesses Judge William F. Smith, Chairman, Judicial Conference Committee on Administration of Criminal Law; Judge Simon E. Sobeloff, U.S. Court of Appeals for the Fourth Circuit; Chief Judge Thomas M. Madden, U.S. District Court for the District of New Jersey; and Frank A. Kaufman, a Baltimore attorney and former chairman of Maryland Governor's commission to study sentencing in criminal cases.

Hearings continue tomorrow.

ELECTORAL COLLEGE

Committee on the Judiciary: Subcommittee on Constitutional Amendments continued hearings on S.J. Res. 58, and other joint resolutions proposing amendment to the Constitution relating to the election of the President and Vice President, having as its witness Senator Sparkman.

Hearings continue tomorrow.

CONSTITUTIONAL RIGHTS

Committee on the Judiciary: The Constitutional Rights Subcommittee resumed its joint hearings with special subcommittee of the Committee on Armed Services on S. 745-762, bills to improve military justice and to more effectively safeguard the constitutional rights of military personnel. Witnesses heard were Chief Judge Robert E. Quinn, Judge Paul J. Kilday, and Judge Homer Ferguson, all of the U.S. Court of Military Appeals; Frederick B. Wiener, an attorney of Washington, D.C.; Edward Cogen and Lawrence Speiser, both representing the American Civil Liberties Union; and Joseph Snee, professor at Georgetown University Law School.

Hearings continue tomorrow.

ON-THE-JOB TRAINING

Committee on Labor and Public Welfare: The Employment and Manpower Subcommittee resumed its hearings on the subject of employer encouragement of on-the-job training, having as its witnesses Merl Felker, who appeared for J. Curtis Counts, vice president of employee relations, both of the Douglas Aircraft Co.; L. A. Erickson, Luminator, Inc., Plano, Tex.; and Michael Shevchik, the Elliott Co., Jeannette, Pa.

Hearings continue on Monday, March 14.

CIVIL SERVICE—BENEFITS

Committee on Post Office and Civil Service: Civil Service Subcommittee held hearings on S. 2206, extending certain benefits of the Annual and Sick Leave Act, the Veterans' Preference Act, and the Classification Act to employees of county committees established pursuant to the Soil Conservation and Domestic Allotment Act, with testimony from John W. Macy, Jr., Chairman, Civil Service Commission; Joy L. Flud, Durant, Okla., president, who was accompanied by Clyde R. Payne, Jasper, Fla., both of the National Association of ASCS County Office Employees; Dillard Lasseter, Organization of Professional Employees, Department of Agriculture; and Nathan Wolkomir, president, and Thomas G. Walters, both representing the National Federation of Federal Employees.

It was announced that the record would remain open for 5 days for the inclusion of additional written material.

House of Representatives

Chamber Action

Bills Introduced: 47 public bills, H.R. 13143-13189; 6 private bills, H.R. 13190-13195; and 9 resolutions, H.J. Res. 853-858, H. Con. Res. 597 and 598, and H. Res. 750, were introduced.

Pages 4346-4347

Bills Reported: Reports were filed as follows:

H.R. 10451, to transfer certain lands in Colorado to the Department of Agriculture for recreation development, amended (H. Rept. 1301); and

H. Res. 750, the rule providing for the consideration of and 2 hours of debate on H.R. 12322, the cotton bill (H. Rept. 1302).

Page 4346

Presidential Message—Health-Education: The House received a Presidential message on Domestic Health and Education—referred to the Committee on Education and Labor and ordered printed as a House document (H. Doc. 395).

Pages 4239-4243

Committee Appointment: The Speaker appointed Representative Young of Texas to fill a vacancy on the Joint Committee on Atomic Energy.

Page 4249

Private Calendar: Passed the following bills on the call of the Private Calendar:

Sent to the Senate, amended: H.R. 9302.

Passed over without prejudice: H.R. 5838, 7141, and 8865.

Objected to: H.R. 4926.

Pages 4249-4250

Defense Authorization: By a record vote of 392 yeas to 4 nays the House passed H.R. 12889, to authorize appropriations during the fiscal year 1966 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, research, development, test, evaluation, and military construction for the Armed Forces.

Adopted a committee amendment regarding description to House and Senate Committees on Armed Services by the Secretary of Defense of all construction proj-

AUTHORIZATION FOR THE COMMITTEE ON FINANCE TO FILE ITS REPORT ON H.R. 12752, TAX ADJUSTMENT ACT OF 1966

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent, assuming the Senate meets tomorrow which I assume will be the case, that the Committee on Finance have until midnight Thursday, March 3, 1966, to file its report on individual and minority views on the bill, H.R. 12752, the Tax Adjustment Act of 1966.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to ask the majority leader about the program for tomorrow, the rest of the day, and for whatever other days of the week he has in mind having a program.

Mr. MANSFIELD. Mr. President, in response to the questions raised, it appears to me that there are a few small bills on the calendar which may be taken up tomorrow but, evidently, it will not be possible to take up the tax bill before Friday next. It is anticipated that we will come in early on that morning with the intention of disposing of the tax bill if possible.

Mr. DIRKSEN. I thank the majority leader.

DEATH OF COLUMNIST CONSTANTINE BROWN

Mr. THURMOND. Mr. President, the journalism profession and, indeed, our whole country suffered a profound loss upon the death of Constantine Brown on the evening of February 23. Although he was 76 years old, Connie's death came as a surprise and shock to his many friends, for he was still a vigorous, active newspaperman who, despite many years of close observation of man's "clay feet," retained his enthusiasm for life.

He was a journalist of the old school who felt very strongly that one could qualify as a columnist only by serving long years as a working reporter. He was convinced that one should have to prove his right to regularly express an opinion in print. Certainly, Constantine Brown proved that he had every right to have his opinions published. His understanding of international affairs and relations between nations and men, was repeatedly evidenced by his abilities to prognosticate with an accuracy that at times suggested clairvoyance.

To those who were his friends, however, Connie will not be remembered primarily as a newspaperman, but rather as a fine and gracious gentleman that all of us knew him to be. He was in every sense a "gentleman of the press," for he had learned to disagree without being disagreeable. His warm and friendly personality was such that it could only have sprung from his deep and abiding Christian faith. Both the counsel of his experience and the warmth of his friendship will be sorely missed.

Mr. President, I ask unanimous consent that the article published in the Washington Evening Star of February 24, 1966, entitled "Constantine Brown, 76, Veteran Columnist, Dies" and the article published in the Washington Post of February 25, 1966, entitled "Constantine Brown, 76, News Columnist, Dead" be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Evening Star, Feb. 24, 1966]

CONSTANTINE BROWN, 76, VETERAN COLUMNIST, DIES

Constantine Brown, 76, a distinguished journalist and, for the past 25 years, a columnist for the Star and other newspapers, died last night of a heart attack while playing bridge with friends.

Brown was stricken at 8:40 p.m. in the home of Mr. and Mrs. Charles F. Lombard, 3610 Upton Street NW., old friends whom the Browns often visited.

The foursome had played two hands of bridge when Brown gasped for breath. A doctor was summoned from next door, but death was almost instantaneous.

A jaunty man with a thick mane of white hair and white moustache, Brown looked more the part of a diplomat than most of the state leaders of whom he wrote and with whom he often made close friendships.

RETURNED FROM ROME

Though he had retired from the Star's news staff, which he joined in 1931, and despite a history of coronary trouble, Brown continued to turn out three columns a week on world affairs for the Star and the Bell-McClure Syndicate.

Less than a year ago he returned to Washington and a new home at 4633 Greene Place NW., after having been based for 3 years in Rome.

He had attained a reputation, before and during World War II, as one of the best informed of Washington reporters, and a columnist who often anticipated internationally significant events.

PREDICTED MAJOR EVENTS

As an analyst, he probed deeply into the reasons behind the news and, though not infallible, he was credited with prognosticating certain events.

He predicted World War II on June 8, 1939, almost 4 months before Hitler's initial attack; called the shot on Pearl Harbor 10 days beforehand, and warned of the Korean war 3 weeks in advance of the fact.

His years of reporting were climaxed in 1964 with publication of a book, "The Coming of the Whirlwind." At a reception marking the event President Johnson presented his friend of 30 years with a gold inaugural medal, 1 of only 37 minted, and wished him success.

A review of the book could double as a characterization of the author. Wrote the Star's Edgar Prina:

"The Coming of the Whirlwind" is not the usual contemporary history book. There is no pomposity or stuffiness in it. Rather the author takes the reader on an exciting journey, much of it in a behind-the-scenes manner, and gives him what amounts to personal introductions to a host of historical characters."

WARNED OF TOTALITARIANS

Summing up his long experience, Brown wrote of the future: "The really alarming thing * * * is to observe the repetition of mistakes. If experience should have taught us anything, it is that concessions to a totalitarian power * * * increase rather than diminish the danger of war."

A gregarious and chatty, far-from-pompous man, Brown spoke with an accent

hardly consonant with Sheldon, Iowa, where he was born September 27, 1889.

Orphaned at 16, he used a \$5,000 inheritance to attain a Ph. D. at the University of Berlin in 1913.

Brown was geared to the international scene from the beginning. His first job was with Lord Northcliffe's London Times, but he lost it as World War I was starting.

He went to Vienna and, in an adventurous moment, secreted himself aboard an Austrian troop train bound for the front. Discovered by a group of officers whose card game he interrupted, Brown suggested they might like to learn an American game called poker.

No mean player, the stowaway managed to stay aboard the train by the simple expedient of winning. At each stop, where he was to be evicted, he reminded the Austrians they still had a chance to recoup their losses.

Finally, in the Budapest station, where he was to be sent back to Vienna, Brown called for "one more round," excused himself to go to the rest room, and disappeared.

The young journalist's sharp wits did not fail him during the war, either. His stories caught the eye of American editors and in time he became a member of the Chicago Daily News foreign staff. In succession he was the paper's bureau chief in Turkey, Paris, and London.

It was from the News that Brown began his affiliation with the Star and in time launched the syndicated column, "This Changing World," with a nationwide circulation.

On Nov. 29, 1941, he wrote:

"The Japanese Government's answer to last week's State Department note will in all likelihood be the salvos of her men-of-war. The earliest estimates of high officials in Washington that a crisis may be expected within the next 2 or 3 months has now been narrowed to a few weeks—even a few days."

SCORED MANY FIRSTS

Brown also is credited with the first interview with Lenin after the Bolsheviks seized power, with an accurate assessment of what the Yalta agreement would bring, with a forecast on February 11, 1945, that the Japanese would unconditionally surrender (6 months before the fact).

On June 6, 1950, Brown wrote: "The start of the Communist invasion in Korea is set for the second half of this month." The actual date was June 25.

Known as "Connie" to his friends, Brown after the war was in demand as a lecturer, was widely quoted by Government officials, and received numerous awards.

In August 1939, Gen. Hugh S. Johnson called him "one of the most informed men in the country" on military matters. His columns were closely followed by Government officials, some of whom saw fit to counsel with him.

He often was lauded in Congress, as in April 1958, when the late Senator Styles Bridges, Republican, of New Hampshire, had reprinted in the CONGRESSIONAL RECORD an editorial titled "Courage Never Goes Out of Style."

VIEWS ON VIETNAM

Calling again on his half century of experience as journalist and analyst, Brown, in his penultimate column for the Star examined Vietnam in light of the two World Wars he had followed so closely.

"The present conflict in Vietnam is unlike the two World Wars of the past," he wrote. "Then the enemy was the enemy regardless of shade.

"In World War I the Austrians were not regarded differently from their German allies. In World War II there was no differentiation between the Nazis, Fascists and Japanese warlords. But now we have divided our enemies into good and bad Communists and all spokesmen of the adminis-

tration, from President Johnson down, speak about opposing communism."

In addition to his wife, the former Elizabeth Churchill, Brown is survived by two daughters by an earlier marriage, Mrs. Frank Gannon III, of Staten Island, N.Y., and Mrs. Frank Roudybush, of France.

[From the Washington (D.C.) Post,
Feb. 25, 1966]

CONSTANTINE BROWN, 76, NEWS COLUMNIST,
DEAD

Constantine Brown, a nationally syndicated newspaper columnist for nearly a quarter of a century, died Wednesday night. He was 76.

Mr. Brown, whose column was called *This Changing World*, collapsed and died of a heart attack while he and his wife were playing cards at the home of friends.

His specialty was international diplomacy. With his thick mane of white hair and white mustache, he looked more the part of diplomat than many of the statesmen of whom he wrote.

Mr. Brown is credited with predicting the start of World War II nearly 4 months before Hitler's initial attack. He said 10 days before Pearl Harbor that a Japanese attack was only a matter of a few weeks—even a few days away.

He predicted on June 6, 1950, that the Communists would invade Korea during "the second half of this month." The actual date was June 25.

He capped his reporting career in 1964 with publication of a book—"The Coming of the Whirlwind." President Johnson attended a reception for the event and presented Mr. Brown with a gold inaugural medal, 1 of only 37 minted.

Mr. Brown was born in Sheldon, Iowa, September 27, 1889. He obtained a doctorate from the University of Berlin in 1913 and went to work for the London Times. The job was of short duration, however, because of the start of World War I.

He worked his way to the front by teaching a group of Austrian Army officers how to play poker and soon his stories of the fighting caught the eye of American editors.

He became a member of the Chicago Daily News foreign staff and served as the newspaper's bureau chief in Turkey, Paris, and London before joining the Washington Evening Star in 1931. It was while he was with the Star that he started his column through the Bell-McClure Syndicate.

Despite a history of recurring coronary trouble he wrote three columns a week and returned to Washington in 1965 after being based in Rome for 3 years.

He is survived by his wife Elizabeth Churchill Brown, of the home address, 4638 Greene Place NW., and two daughters by an earlier marriage, Mrs. Frank Gannon III, Staten Island, N.Y., and Mrs. Frank Roudybush, of France.

ADJOURNMENT

Mr. LONG of Louisiana. Mr. President, if there is no further business to come before the Senate at this time, in accordance with the order previously entered, I move that the Senate stand in adjournment until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 6 o'clock and 33 minutes p.m.) the Senate adjourned until tomorrow, Wednesday, March 2, 1966, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 1, 1966:

U.S. ATTORNEY

Clinton N. Ashmore, of Florida, to be U.S. attorney for the northern district of Florida for the term of 4 years. (Reappointment.)

U.S. MARSHAL

Harry D. Mansfield, of Tennessee, to be U.S. marshal for the eastern district of Tennessee for the term of 4 years. (Reappointment.)

U.S. ATTORNEY

Joseph L. Ward, of Nevada, to be U.S. attorney for the district of Nevada for the term of 4 years vice John W. Bonner, retiring.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
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Issued March 3, 1966
For actions of March 2, 1966
89th-2nd; No. 37

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HIGHLIGHTS: Both Houses received President's transportation message. Sens. Tower, Young, O., and Proxmire criticized school milk budget cut. Rep. O'Neal, Ga., stated that food-for-peace program would not result in removal of acreage allotment controls. Sen. Curtis submitted and discussed measure re distribution among States of research funds.

SENATE

- 1. TRANSPORTATION.** Both Houses received the President's transportation message in which he proposed the establishment of a Department of Transportation which would include the Office of the Under Secretary of Commerce for Transportation, Bureau of Public Roads, Federal Aviation Agency, Coast Guard, Maritime Administration, safety functions of the Civil Aeronautics Board, safety and car-service functions of the Interstate Commerce Commission, and the St. Lawrence Seaway Development Corporation (H. Doc. 399); to S. Government Operations and Commerce Committees (jointly). pp. 4351-6, 4434-9

2. FOREIGN AID. Passed without amendment H. R. 12563, to provide for U. S. participation in the Asian Development Bank (pp. 4483-91). This bill will now be sent to the President.
3. FOREIGN TRADE. Passed with amendments H. R. 6568, to make permanent the duty-free treatment or lower rates of duty temporarily applicable to copra, palm nuts, and palm-nut kernels, their oils, and specified fatty acids, salts, and other chemical products derived from the oils. Agreed to an amendment by Sen. Mansfield which he stated was technical and "will make certain that the rates of duty provided by this act are the rates to be taken into account by the President in cutting or raising tariffs on these products." pp. 4603-5
Sen. Eastland criticized the controls on exports to Rhodesia and inserted an editorial, "On the U. S. Policy Toward Rhodesia." pp. 4496-7
4. TAXATION. The Finance Committee reported with amendments H. R. 12752, the proposed Tax Adjustment Act of 1966 (S. Rept. 1010) (p. 4439). This bill was made the unfinished business (p. 4505).
5. SCHOOL MILK. Sens. Tower, Young, O., and Proxmire criticized the budget cut for the school milk program. pp. 4451, 4453-4, 4462
6. EDUCATION. Sen. Morse criticized the budget cuts for education programs, including funds for the land-grant colleges, and inserted several items in support of his position. Several Senators commended his remarks. pp. 4530-92
Sen. Gruening criticized the budget cut for Federal aid to schools in federally impacted areas. pp. 4529-30
7. NOMINATION. The Government Operations Committee reported the nomination of Elmer B. Staats to be Comptroller General. p. 4439
8. APPALACHIA. Sen. Cooper commended "the dispatch and efficiency with which the Appalachian Regional Commission has gone to work," and inserted an article discussing progress in the development of the region, including the building of roads and development of timber resources. pp. 4478-9
9. REGIONAL DEVELOPMENT. Sen. Kennedy commended the Secretary of Commerce for designating the six New England States as an economic development region under the Public Works and Economic Development Act under which a New England regional commission will study ways of promoting the economic development of the region. pp. 4472-3
10. ADJOURNED until Fri., Mar. 4. p. 4605

HOUSE

11. PERSONNEL. The Education Committee reported with amendment H. R. 10721, to amend the Federal Employees' Compensation Act to improve its benefits (H. Rept. 1304). p. 4430
12. TRANSPORTATION. Both Houses received from the Budget Bureau a proposed bill to establish a Department of Transportation; to Government Operations Committees. pp. 4430, 4434
13. RECLAMATION. The Interior and Insular Affairs Committee voted to report (but

TAX ADJUSTMENT ACT OF 1966

MARCH 2, 1966.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

together with

SUPPLEMENTAL VIEWS

[To accompany H.R. 12752]

The Committee on Finance, to which was referred the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

Your committee has reported H.R. 12752, the tax adjustment bill of 1966, with four substantive amendments in addition to other technical amendments. Your committee's amendments will increase slightly the revenue to be obtained under this bill.

H.R. 12752 is designed to contribute revenues to aid in financing the increased cost of Government associated with operations in Vietnam. It is designed to help finance these costs in a manner which will avoid the creation of serious inflationary pressures.

Two of the amendments made by your committee relate to matters in the House version of the bill and two deal with separate measures not included in the House bill. One of the provisions relating to material in the House bill concerns the withholding allowances provided in connection with graduated withholding and is discussed below with the discussion of that provision. The second amendment relates to a House measure which deals with the floor stocks tax of 1 percent on dealers' inventories of passenger cars (provided in connec-

tion with the 1 percentage point restored to the manufacturer's excise tax rate on passenger automobiles). Your committee's amendment deletes this floor stocks tax.

One of the two provisions added to the bill by your committee requires the Department of Agriculture to send to farmers copies of information returns they send to the Internal Revenue Service with respect to payments of over \$600 a year. The second new provision added by an amendment made by your committee denies any deduction for amounts paid for advertising in a convention program of a political party, or in any other publication if any part of the proceeds inures to a political party or candidate. Deduction is also denied for payments for admission to dinners or programs if any part of the proceeds inures to a political party or candidate. In addition, deduction is denied for payments for admission to an inaugural ball or a similar event.

The provisions of the bill, which are based upon recommendations made by the President with certain important modifications, are grouped under two headings. Most important from a revenue standpoint are the provisions which affect the procedures for collecting tax, but which do not affect tax liabilities. They include graduated withholding on wage income, strengthening the payment requirements for declarations, the acceleration of corporate estimated tax payments, and quarterly payments of estimated self-employment social security tax. The remaining provisions superimpose a 2-year moratorium on rate reductions scheduled under existing law for the excise taxes on passenger automobiles and telephone service. When this moratorium ends, these tax rates will immediately fall to the levels which would otherwise have been applicable under present law at that time, and will thereafter continue to be reduced as scheduled under existing law.

Revenue effect.—It is anticipated that these provisions will increase administrative budget revenues in the fiscal year 1966 by \$1.1 billion and the revenues in the fiscal year 1967 by \$4.8 billion relative to the levels that would be achieved under existing law. The temporary effects of the change in the timing of taxpayments will be responsible for almost all of the \$1.1 billion of the added administrative budget revenues in the fiscal year 1966 and \$3.4 billion of the increase in revenues in the fiscal year 1967. The quarterly payment of estimated self-employment tax will increase trust fund receipts, which are reflected in the consolidated cash budget but not in the administrative budget, by \$200 million in the fiscal year 1967. The moratorium on excise tax reduction will retain \$35 million in revenue which would otherwise be foregone in the fiscal year 1966 and \$1.2 billion in revenue which would otherwise be foregone in the fiscal year 1967.

The provisions.—(1) *Graduated withholding.*—For wages paid after April 30, 1966, the bill replaces the present withholding tax rate with a series of six graduated rates ranging from 14 to 30 percent which are grouped in a system that takes account of the minimum standard deduction or deductions of 10 percent of wages and of the taxpayer's marital status as well as the statutory tax rates which apply to the first \$12,000 of taxable income for single persons and \$24,000 of taxable income for married persons. The 30-percent rate also will apply to all higher levels of taxable income.

Included in the bill is a provision, not a part of the President's recommendations, which is designed to reduce overwithholding. This provision, beginning in 1967, will permit taxpayers whose itemized deductions as a percentage of their wages are in excess of certain limits to claim withholding allowances. These allowances will have the effect of additional withholding exemptions. Withholding allowances will be based on the excess of estimated itemized deductions (which cannot exceed the deductions itemized in the previous year) over a prescribed amount of estimated wage income (which cannot be less than the wage income received in the previous year). The prescribed amount under the House bill would be a composite of 12 percent of the first \$7,500 of estimated wages plus 17 percent of estimated wages in excess of \$7,500. Under your committee's bill the prescribed amount is to be a composite of 10 percent of the first \$7,500 of estimated wages plus 17 percent of estimated wages in excess of \$7,500. Under the House bill, beginning in 1967, withholding allowances could be claimed with respect to each full \$700 of itemized deductions above the prescribed percentage amounts, except that the first allowance could be claimed if this excess amount equaled \$350 or more. Under your committee's amendments withholding allowances may be claimed only with respect to full units of \$700 of itemized deductions above the prescribed percentage limitation, whether it is the first or a subsequent withholding allowance which is involved. Under both versions of the bill the Internal Revenue Service is authorized, and expected, to compile a table which will help taxpayers to determine the number of withholding allowances they may claim.

(2) *Quarterly payments of estimated self-employment tax.*—Effective for taxable years beginning after December 31, 1966, self-employed persons will be required to file declarations with respect to the total of their estimated income tax and self-employment tax and to make quarterly payments based on this declaration. The rules which now apply with regard to the requirement for filing a declaration of estimated income tax and the rules which govern the assessment of penalties for the underpayment of estimated tax will henceforth apply to the combined amount of estimated income tax and estimated self-employment tax.

(3) *Underpayment of estimated tax by individuals.*—Under existing law, a penalty may be incurred by a taxpayer when the total of the amounts withheld from his wages and the amounts paid through quarterly payments of estimated tax are equal to less than 70 percent of the tax shown on his return. Effective for taxable years beginning after December 31, 1966, the present 70 percent provision is raised to 80 percent.

(4) *Acceleration of corporation income tax payments.*—The schedule bringing corporation payments of estimated income tax liabilities above \$100,000 to a current basis will be accelerated so that the current payments basis will be reached in 1967 instead of 1970 as scheduled under present law. Calendar year corporations will pay 12 percent of their estimated tax liabilities in April and June 1966, instead of the presently scheduled 9 percent. In 1967 and in following years, they will pay 25 percent of estimated tax liabilities on each payment date.

(5) *Excise tax on passenger automobiles.*—The excise tax rate on passenger automobiles effective on the day after enactment of the

bill will revert to 7 percent (the rate before January 1, 1966) from 6 percent, and there will be a moratorium through March 31, 1968, on further tax rate reductions scheduled under present law. At the expiration of the moratorium, the excise tax on passenger automobiles will fall to 2 percent, as presently scheduled for 1968, and then to 1 percent as presently scheduled for 1969. Under your committee's amendments no floor stocks tax is to be imposed on the inventories of dealers and distributors.

(6) *Excise tax on telephone service.*—The excise tax rate on telephone service will revert to 10 percent (the rate before January 1, 1966), from 3 percent, on general and toll telephone and teletypewriter exchange services. It will be in effect through March 31, 1968, when it will decline to 1 percent and will be repealed on January 1, 1969, as scheduled under present law. Nonprofit hospitals will be exempt from the tax on telephone services. These provisions will be effective with respect to bills rendered on or after the first day of the first month which begins more than 15 days after the effective date of this bill.

(7) *Indirect political contributions.*—No deduction from income is to be allowed to an individual or a business for advertising, admissions to dinners, programs, or any similar events, if any part of the net proceeds inures to the benefit of a political party or political candidate. In addition, no deduction is to be allowed for payments for admissions to inaugural balls, etc., identified with a political party or a political candidate. The provision is to be applicable to taxable years beginning after December 31, 1965, but only with respect to amounts paid after the date of enactment of the bill.

(8) *Information returns supplied to farmers.*—The Department of Agriculture will be required to supply farmers with copies of information returns which now are sent to the Internal Revenue Service with respect to all payments of \$600 or more made in any 1 year to an individual. The statements may be made through the national office of the Department of Agriculture, any of its State or local offices, or any of its agencies. The provision will be effective for reports sent out after the date of enactment of the bill.

II. REVENUE EFFECTS

As indicated in table 1, the bill is expected to increase fiscal year 1966 administrative budget receipts by \$1,130 million and fiscal year 1967 receipts by \$4,800 million. This latter figure is about the same as that recommended by the President. In addition, consolidated cash budget receipts will be further increased by \$200 million in the fiscal year 1967. This increase differs from the recommendation of the President only in that the \$200 million under his recommendation was spread over the fiscal years 1966 and 1967.

TABLE 1.—*Estimated revenue increase under H.R. 12752 as reported by the Senate Committee on Finance, for the fiscal years 1966 and 1967*

[In millions of dollars]

	Fiscal year 1966	Fiscal year 1967
Excises:		
Communications.....		785
Automobiles.....	35	420
Total excises.....	35	1,205
Corporate speed-up.....	1,000	3,200
Graduated withholding.....	95	245
Increase in declaration requirement under individual income tax from 70 to 80 percent.....		150
Total, administrative budget.....	1,130	4,800
Self-employment tax, social security, quarterly payments (goes into a trust fund).....		200
Total, cash budget.....	1,130	5,000

The largest single source of additional revenue provided by the bill is attributable to advancing the payment dates for corporate tax. This is expected to increase revenues in the fiscal year 1966 by \$1 billion and revenues in fiscal year 1967 by \$3.2 billion. The excise reduction moratorium with respect to the taxes on automobiles and communications represents the second major revenue source under the bill. It is estimated that this will raise revenues by \$35 million in the fiscal year 1966 and by \$1,205 million in the fiscal year 1967. The provisions with respect to graduated withholding and the increase in the declaration requirement under the individual income tax from 70 to 80 percent of actual tax liability are expected to increase revenues by \$395 million in the fiscal year 1967. The provision with respect to graduated withholding is expected to increase revenues in the fiscal year 1966 by \$95 million.

Table 2 shows the revenue impact of the graduated withholding system and the declaration requirement change approved by your committee. Only the six-rate graduated withholding system has an impact in the fiscal year 1966. As previously indicated, this is expected to increase revenues in that year by \$95 million. In the fiscal year 1967 a six-rate graduated withholding system with no allowances for excess itemized deductions would increase revenues by \$400 million. If two-thirds of those eligible decrease overwithholding due to itemized deductions under the version of the provision approved by your committee, this gain will be reduced by \$155 million in the fiscal year 1967, resulting in a net gain from graduated withholding of \$245 million in the fiscal year 1967. However, the provision in raising the declaration requirement from 70 to 80 percent effective for the fiscal year 1967 is expected to increase revenues by \$150 million. As a result these actions, taken together, give rise to an estimated revenue gain of \$395 million for the fiscal year 1967, or about the same as that recommended by the President. In the fiscal year 1968 the decrease in overwithholding attributable to allowances for itemized deductions will result in a loss of \$230 million. This fiscal year 1968 loss of \$230 million is a loss over and above any which

would be incurred under the President's recommendations. However, there is a net gain of \$65 million in that year arising from extending the excise tax rates for passenger cars and communication services until April 1, 1968, which also would not be realized under the President's recommendations.

TABLE 2.—*Revenue effect of provisions of H.R. 12752 as reported by the Senate Committee on Finance, relating to graduated withholding and declarations of estimated tax*

[In millions of dollars]

Provisions	Effective date	Full year effect	Change in receipts		
			Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
6-rate graduated withholding.....	May 1, 1966	+1,240	+95	+400	-----
Extra withholding allowance for excess deductions ¹	Jan. 1, 1967	—935	-----	—155	—230
Increase requirement for estimated tax from 70 to 80 percent.....	Jan. 1, 1967	+300	-----	+150	-----
Total for individuals.....	-----	+605	+95	+395	—230

¹ Assumes $\frac{3}{4}$ utilization by eligible taxpayers.

III. REASONS FOR THE BILL

1. *Fiscal and economic impact*

The tax adjustment bill of 1966 will help provide the additional revenues which your committee is advised will be required by the conflict in Vietnam. This bill is designed to help finance the additional expenditures required for this purpose without generating serious inflationary pressures in the domestic economy. The additional revenues will be derived from two general types of provisions. The first consists of improvements in tax collection procedures which, without affecting tax liabilities, involve a temporary increase in the amount of revenues by making payments more current. The remaining provisions restore excise rates in effect on December 31, 1965, and impose a 2-year moratorium on presently scheduled reductions in the excise taxes on passenger automobiles and telephone service.

Were it not for special Vietnam costs, your committee has been informed the increase in Federal revenue attributable to the growth of the economy—growth largely in response to the tax reductions enacted in recent years—would be sufficient not only to meet the regular requirements of Federal operations but also to provide a surplus. The President's budget message indicates that special Vietnam expenses will account for an estimated \$10.5 billion of administrative budget expenditures for the fiscal year 1967. These expenses account for \$5.8 billion of the \$6.4 billion increase in expenditures in the fiscal year 1967 over those for the fiscal year 1966. It is estimated that revenues would increase by \$7.3 billion between the 2 fiscal years if no change were made in existing tax laws, an amount that would be sufficient to produce a substantial budget surplus were it not for the extraordinary defense requirements. It will be recalled that when the Senate was considering the Revenue Act of 1964—which provided a reduction of \$11.5 billion, the largest reduction ever provided—the then Secretary of the Treasury Douglas Dillon indicated that despite this reduction, it might be possible to balance the budget in the fiscal

year 1967. It should be noted that this objective of a balanced budget in the fiscal year 1967 would be obtained were it not for the extraordinary defense expenditures arising from the conflict in Vietnam. Thus, were it not for the special Vietnam expenses of \$10.5 billion, there would be no need at this time for the 2-year excise tax reduction moratorium or for an advancement of the corporate tax payments at a more rapid rate than originally planned.

As a result of these extraordinary defense requirements, this bill provides additional temporary revenues designed to improve the budgetary outlook for both the fiscal years 1966 and 1967 as indicated in table 3.

Its provisions will increase revenues over present law yields in the current fiscal year by an estimated \$1.1 billion on an administrative budget basis and by \$4.8 billion in the following fiscal year. As a result, the deficit in the administration's budget expected for fiscal 1966 without the bill will be reduced from \$7.6 to \$6.5 billion, and will fall sharply to \$1.7 billion in fiscal 1967. Viewed from the basis of the consolidated cash budget, the results of the bill will be even more significant. The anticipated consolidated cash budget deficit for the fiscal year 1966 is expected to be \$7.0 billion. In the fiscal year 1967, this deficit will be eliminated and a small surplus achieved as a consequence of the \$5.0 billion that will be added to cash receipts by this bill in that year. Moreover, the bill will increase fiscal 1966 cash receipts by \$1.1 billion.

The modifications in collection procedures enacted in this bill—that is, graduated withholding, tighter declaration requirements, quarterly self-employment tax payments, and faster corporate income tax payments—will have a significant effect on revenues even though they will not increase tax liabilities. These changes in timing will result in the collection of some revenues in fiscal 1966 and fiscal 1967 which would otherwise not be collected until the following years. Once the transition to the new collection procedures is completed, however, tax payments by individuals and corporations during each fiscal year will (apart from the effect of growth in the economy) be no greater than under present law.

TABLE 3.—*Comparison of administrative budget receipts and expenditures with and without H.R. 12752 as reported by the Senate Committee on Finance, fiscal years 1966 and 1967*

[In billions of dollars]

	Fiscal year 1966	Fiscal year 1967	Change fiscal year 1967 over fiscal year 1966
Expenditures.....	106.4	112.8	+6.4
Receipts without bill.....	98.8	106.2	+7.3
Deficit without bill.....	7.6	6.7	-.9
Increase in receipts under bill.....	+1.1	+4.8	+3.7
Total receipts (including those under this bill).....	100.0	111.0	+11.0
Deficit after taking account of revenues under this bill..	6.5	1.9	-4.6

NOTE.—Figures are based on President's budget message and therefore totals include estimated effects of proposed legislation other than H.R. 12752. Figures are rounded and will not necessarily add to totals.

It is expected that the increased tax collections that result from this bill will have a moderating influence on the expenditures of individuals and business firms. This influence will tend to offset the expansionary effects of increased defense expenditures. Such a policy is appropriate in view of the near capacity levels of output and employment at which the economy is now operating. In the absence of the moderating influence of increased tax collections, the total of private demand and Government requirements would threaten to exceed the present capacity of the Nation's productive resources, and in that manner constitute a threat to price stability.

The Nation has enjoyed 5 years of uninterrupted economic expansion, the longest period of peacetime expansion in U.S. business cycle annals. In 1961, at the start of the expansion, civilian labor force unemployment reached 7 percent and 22 percent of manufacturing capacity remained idle. The Revenue Acts of 1962 and 1964 and the Excise Tax Reduction Act of 1965 were in large part directed at the removal of restraints to growth in the private sector of the economy arising from tax rates that were too high. Largely as a result of these measures, the rate of unemployment fell to 4 percent of the labor force in January 1966, and the capacity utilization index in manufacturing rose to 91 percent in the fourth quarter of 1965.

Today the gap between potential and actual output has thus been greatly narrowed. This is suggested by the recent behavior of the consumer and wholesale prices indexes. After 4 years of virtual stability, the index of wholesale prices increased 2 percent from 1964 to 1965. The percentage increases in the Consumer Price Index from 1960 to 1964 averaged 1.2 percent a year. In 1965 the percentage increase was 1.7 percent and would have been 1.9 or 2 percent but for the effect of excise tax reductions enacted in the Excise Tax Reduction Act of 1965.

Evidence of the approach to the full use of our capacity is also indicated in statistics on capacity utilization rates in various industries. In December 1965, several important industries were operating at or above their preferred operating rates and the overall utilization index was only 1 point below the average preferred operating rate.

As pointed out to your committee by the Secretary of the Treasury, the various provisions of the bill will have a restraining influence on demands on available capacity. Following the enactment of this bill, the amounts withheld from individual wages will increase by \$1.24 billion at annual rates under the six-rate graduated withholding system. While these increased collections of \$1.24 billion will be reflected in reduced amounts of tax due when final returns are filed in the spring of 1967 and, to a limited extent, in increased tax refunds, they will tend to reduce consumer purchases during the remaining portion of 1966 and during the early months of 1967.

The fiscal effect of more accurate withholding will be reinforced by the requirement that taxpayers pay at least 80 percent of their liability for the year through withholding, payments of estimated tax, or both, to avoid penalties for underpayments of estimated tax. This, too, will tend to lessen consumer spending during this period of extraordinary military expenditures. Presently only 70 percent of the final liability need be paid to avoid the application of penalties. (As under

present law, however, penalties will not be imposed where payments equal the prior year's tax or are based on the prior year's income, or certain other conditions are met.)

The postponement of some corporate investment expenditures, as will occur as a result of the acceleration of corporate tax payments for the larger corporations, will be favorable to continued economic stability. Current levels of corporate investment in new plant and equipment are high. Outlays for business fixed investment rose by 11.5 percent in 1964 and by 15.4 percent in 1965 as compared with an average annual rate of increase of 7.5 percent in 1962 and 1963. Present announced plans indicate that investment will again increase at a rapid rate in the first half of 1966. Mild restraint, therefore, may well promote better balance between the rate of growth of output and investment in expanded capacity. It will also support our effort to reduce the deficit in our balance of payments to manageable levels. A source of strength in the balance-of-payments outlook in recent years has been the comparative stability in the prices of U.S. goods as compared to rising prices of the goods of other nations.

2. Correlating withholding with tax liabilities

Apart from their beneficial budgetary and economic effects, improved collection techniques will mean important benefits to taxpayers. Under graduated withholding, amounts withheld will more nearly approximate final liabilities. In particular, fewer taxpayers will have substantial amounts of tax to pay when they file their final return for the year. Last year for many taxpayers the fact that such bills remained to be paid in the spring of 1965 caused a measure of financial hardship and considerable resentment which tended to blunt the very substantial benefits provided by the Revenue Act of 1964. Unless graduated withholding is enacted, this experience is likely to be repeated in future years. Another result of the graduated withholding is that fewer employees will have overwithholding. Thus, this is a desirable improvement in collection procedures wholly apart from the temporary revenue increase.

The bill incorporates a special withholding allowance which provides relief for those taxpayers who itemize deductions and would otherwise find that withholding resulted in substantial unwanted overpayment of tax. This feature will also promote more accurate withholding as is shown subsequently in table 4 in this report.

3. Change in corporate payments merely an advance in timing

The proposal regarding corporate tax payments accomplishes by 1967 what would otherwise be accomplished by 1970. The Revenue Act of 1964 provided that corporations were to estimate and pay currently that portion of their tax liability expected to exceed \$100,000, but the transition to current payment was scheduled over a period which was to end in 1970. This bill simply achieves that transition by 1967. Instead of paying 9 percent of their estimated liabilities in excess of \$100,000 in April and June of 1966, calendar-year corporations will be required to pay 12 percent. In the final two quarters of 1966, these corporations will pay the same percentage, 25 percent, of these estimated liabilities as they are required to pay under present law. In 1967, these corporations will be required to pay in each quarter amounts equal to 25 percent of their estimated liabilities in

excess of \$100,000. Under existing law, they would pay installments of 14 percent of this estimated liability in April and June 1967 and installments of 25 percent in September and December 1967. Tables 9 and 10, presented subsequently in this report, show the schedules of payments under present law and under the bill.

4. Self-employment social security tax placed on current basis

This bill makes provision, for the first time, for the declaration and quarterly payment of estimated social security tax liabilities with respect to self-employment income. This bill places self-employed persons on the same current payment basis for social security tax purposes as they are on now for income tax purposes, and does so with a minimum degree of added complication. The declaration and estimated tax payment system now in effect is simply broadened to include estimated self-employment social security tax.

5. Two-year moratorium for auto and telephone excise reductions

The excise tax rate reductions scheduled under present law for 1966 and later years in the case of telephone service and passenger automobiles are not rescinded by this bill. They are merely postponed for 2 years. This bill makes explicit provision for reduction on April 1, 1968, of these rates to the levels which would prevail under existing law, emphasizing the fact that the moratorium on rate reduction, while necessary in view of current budgetary and economic conditions, is not intended to cancel the eventual reductions of the 1965 act. Thus, the bill in this respect differs to a significant degree from the proposals of the administration: the administration would have postponed the auto and telephone excise tax reductions for 2 years—not only the reductions occurring in the next 2 years, but also the reductions occurring after that time. The bill, on the other hand, merely provides a moratorium for the reductions which would under present law occur in the next 2 years. Under the bill, the rates will fall at the end of the 2-year period to the rates scheduled to be in effect at that time under present law, and subsequent reductions under present law are not further postponed.

The excises on telephone service and passenger automobiles are selected for a number of reasons in addition to the fact that they yield substantial revenues. They are currently in effect, so that a moratorium on rate reduction is a much simpler matter administratively for business firms and the Government (since the payment and collection machinery is still in effect) than the reinstitution of excises previously repealed. The fact that these excises were not repealed outright by the Excise Tax Reduction Act of 1965 but were scheduled for gradual reduction also is indicative of the order of priorities in excise tax reduction established by the Congress in 1965. Moreover, the burden of these taxes is widely dispersed over the population, and, therefore, a disproportionate burden will not be imposed on a narrow segment of the population as a result of the moratorium.

IV. GENERAL EXPLANATION

1. Graduated withholding (sec. 101 of the bill and sec. 3402 of the code)

Present law.—Under present law, employers withhold Federal income tax from wages and salaries at the rate of 14 percent after recognizing the withholding exemptions claimed by an employee for himself, his wife and any dependents. The 14-percent rate is equiv-

alent to the average of the four tax rates which apply to the initial \$2,000 of taxable income (\$4,000 for married couples), reduced to reflect the 10-percent standard deduction. To further reflect the standard deduction, the value of exemptions is increased from \$600 to \$667 for withholding purposes.

Employees claim withholding exemptions by filing withholding exemption certificates with their employers. These certificates remain in force until superseded by the submission of later ones. The number of exemptions claimed may be less than, but cannot exceed, the number of allowable exemptions. If the employer agrees, the employee may arrange to have extra amounts withheld from his wages.

The present 14-percent withholding rate went into effect on March 5, 1964, implementing the rate reductions enacted in the Revenue Act of 1964. It superseded the withholding rate of 18 percent which had been in effect since 1954. The latter was equivalent to the 20-percent tax rate on the first \$2,000 of taxable income (\$4,000 for married couples) reduced to reflect the 10-percent standard deduction.

General explanation of provision.—Under the present withholding system, taxpayers, including those who derive all their income from wages subject to withholding, often find that the amount of tax withheld from their wages differs substantially from their income tax liability for the year. As a result, if the present system were continued, an estimated 12.5 million tax returns would show a tax liability for the year 1966 significantly in excess of the amount of tax withheld. At the same time, an estimated 39.8 million taxpayers, 20 million of them with incomes of \$5,000 or less, would have tax liabilities significantly less than the amounts withheld from them. Those taxpayers who are underwithheld, in the sense that withholding falls short of their tax liability, must make payments when they file their final return for the year. When such payments are unexpected, as they were for many taxpayers in 1965, they can cause resentment and, at times, financial hardship. While taxpayers who are overwithheld receive a tax refund when they file their final returns, for some, particularly those whose refund is large relative to their income, it can be a hardship to wait for such a refund.

In the past the single-rate withholding structure resulted both in substantial underwithholding and overwithholding. However, the problem has become worse. With respect to underwithholding, the steady rise in individual and family incomes has lifted many taxpayers into income brackets where the present withholding rate falls substantially short of their effective rate of tax. Moreover, important structural provisions enacted in the Revenue Act of 1964 are not reflected in the present system.

Formerly, the first taxable income bracket covered the initial \$2,000 of taxable income for single persons and the initial \$4,000 of taxable income for married couples. In 1964 this range of taxable income was divided into four smaller brackets. To preserve the relationship between the withholding rate and taxable income that existed in the past, Congress adopted a withholding rate that reflected the average of the first four statutory rates rather than the lowest such tax rate. The Revenue Act of 1964 also introduced the minimum standard deduction. This provision permits taxpayers with incomes which are low in relation to the size of their family to deduct an amount

which exceeds 10 percent of their adjusted gross income even though they do not itemize deductions. The present withholding system, however, still takes into account only the 10-percent standard deduction.

As a result of the structural changes enacted in 1964, the present 14-percent withholding rate overwithholds on persons whose taxable income is less than \$2,000 if single or \$4,000 if married. This is true even though such persons claim only the standard or minimum standard deduction, derive all their income from wages subject to withholding, are steadily employed during the year, and experience no increase in exemptions during the year.

At the same time, persons with incomes above these limits are likely to experience underwithholding, since they are subject to income tax rates well in excess of 14 percent. Thus, of the 63.1 million tax returns expected to be filed in 1966 upon which wages and salaries will be listed and with respect to which no declaration payments will be made, only 10.8 million returns would tax withholding which comes within \$10 of the actual liability under the present withholding system. Of the remaining 52.3 million returns, 39.8 million would show overwithholding and 12.5 million, underwithholding.

The withholding system proposed in the bill will insure that for most wage earners amounts withheld will more closely approximate the final tax liability. The proposed system reflects fully the graduated rates in the income tax rate scale for taxable incomes up to \$12,000 for single persons and \$24,000 for married couples. Even for returns with higher taxable incomes which show wage income, graduated withholding will be far more accurate than the existing system. Moreover, these returns number only an estimated 600,000.

The proposed system also reflects the minimum standard deduction. This fact, taken in conjunction with the graduated rates and the withholding allowances, will reduce the amount of overwithholding from those with low and middle incomes, as is shown in table 4. It is estimated, for example, that on returns listing income of \$5,000 or less, the total amount of overwithholding will decline by \$605 million. This will be sufficient to reduce the number of returns in this group on which overwithholding exceeds \$10 from 20.0 to 12.9 million and to increase the number of returns on which withheld tax comes to within \$10 of the final liability from 8.4 to 15.4 million. On returns with incomes of \$5,000 but less than \$10,000, overwithholding will be reduced by \$455 million, largely as a result of the provision for withholding allowances described below.

The bill includes a special relief provision which persons with substantial itemized deductions may elect and which further improves the accuracy of the withholding system. This feature, which was not included in the President's recommendations, permits taxpayers to claim withholding allowances with their employer, which will have the same effect as withholding exemptions, when their estimated itemized deductions exceed a specified amount of their estimated wage and salary income.

The special relief provision is included in recognition of the fact that taxpayers with substantial itemized deductions are likely to be overwithheld under both the existing withholding rate and the proposed rates. Overwithholding occurs because most of those who itemize have deductions which, in total, exceed the allowance for deductions which is built into both the existing withholding system

and the system provided in this bill. In both cases, the allowance for deductions built into the withholding rates, apart from the allowance for the minimum standard deduction, is equal to 10 percent of wage and salary income. In 1962, for example, itemized deductions were equal on the average to 19.6 percent of the adjusted gross incomes listed on the 26.5 million returns upon which the standard deduction was not employed. Under the 14 percent withholding system, the resulting overwithholding arising from the use of these itemized deductions is estimated to account for 44 percent of the overwithholding at 1966 income levels.

Under the graduated withholding rates, the importance of itemized deductions as a cause of overwithholding would increase substantially in the absence of the special relief provision. It is estimated that under the graduated withholding under the bill but without any withholding allowances overwithholding due to itemized deductions would increase to \$3.7 billion at 1966 income levels and would comprise 59 percent of the expected amount of overwithholding. Moreover, if voluntary adjustments are disregarded as a source of overwithholding, the percentage of involuntary overwithholding attributable to itemized deductions in this case would approximate 70 percent.

The special provision is not intended for the use of all taxpayers with wage income who itemize their deductions, but is designed for the relief of those persons for whom overwithholding might otherwise become a burden. Therefore, when estimated wages are \$7,500 or less, the withholding allowances provided by your committee's amendments are based on the amount of itemized deductions estimated to exceed 10 percent of wage and salary income and, when estimated wage income exceeds \$7,500, they are based on the sum of \$750 (10 percent of \$7,500) and 17 percent of wage and salary income in excess of \$7,500. For wage income above \$7,500 withholding allowances are not based on the excess of estimated itemized deductions over 10 percent of estimated wage and salary income in recognition of the fact that many taxpayers receive some income that is not subject to withholding and that the average amount of such income is greater at high-income levels than at low-income levels. The method of computing withholding allowances minimizes the possibility that a taxpayer who receives dividends, interest or other nonwage sources of income will inadvertently overcompensate for his itemized deductions and have a bill due at the end of the year which he would not otherwise have incurred. It also reduces the effect of overestimates of deductions, or underestimates of income, leading to underwithholding.

Table 4 indicates the effect of the graduated withholding provision of the bill and contrasts that effect with the present system and the 6-rate system recommended by the President.

TABLE 4.—Effect of graduated withholding provisions of H.R. 12752¹ as reported by the Senate Committee on Finance

	Present 14 percent with- holding	Change resulting from—			Gradu- ated with- holding
		6-rate system	Extra \$700 al- lowance ²	Com- bined total	
All returns:					
A. Number of returns (millions):					
1. Overwithholding	39.8	-6.3	-0.8	-7.1	32.7
2. Underwithholding	12.5	-3.5	+0.7	-2.8	9.7
3. Breakeven ³	10.8	+9.8	+0.1	+9.9	20.7
4. Total	63.1				63.1
B. Amount (millions of dollars):					
1. Overwithholding	6,130	+50	-850	-800	5,330
2. Underwithholding	2,700	-1,190	+85	-1,105	1,595
3. Total withholding	36,440	+1,240	-935	+305	36,745
Under \$5,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	20.0	-7.0	-0.1	-7.1	12.9
2. Underwithholding	3.0	(⁴)	+0.1	+0.1	3.1
3. Breakeven ³	8.4	+7.0	(⁴)	+7.0	15.4
4. Total	31.4				31.4
B. Amount (millions of dollars):					
1. Overwithholding	2,130	-500	-105	-605	1,525
2. Underwithholding	340	(⁴)	+5	+5	345
3. Total withholding	5,720	-500	-110	-610	5,110
\$5,000 to \$10,000 adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	15.0	-1.4	-0.5	-1.9	13.1
2. Underwithholding	5.7	-1.2	+0.4	-0.8	4.9
3. Breakeven ³	2.0	+2.6	+0.1	+2.7	4.7
4. Total	22.7				22.7
B. Amount (millions of dollars):					
1. Overwithholding	3,000	-20	-435	-455	2,545
2. Underwithholding	760	-250	+30	-220	540
3. Total withholding	17,140	+230	-465	-235	16,905
\$10,000 and over adjusted gross income:					
A. Number of returns (millions):					
1. Overwithholding	4.8	+2.1	-0.2	+1.9	6.7
2. Underwithholding	3.8	-2.3	+0.2	-2.1	1.7
3. Breakeven ³	0.4	+0.2	(⁴)	+0.2	0.6
4. Total	9.0				9.0
B. Amount (millions of dollars):					
1. Overwithholding	1,000	+570	-310	+260	1,260
2. Underwithholding	1,600	-940	+50	-890	710
3. Total withholding	13,580	+1,510	-360	+1,150	14,730

¹ Based on taxable and nontaxable returns with no declaration payments.² Assumes 3/3 utilization by eligible persons.³ Breakeven defined as within \$10 of the tax liability.⁴ Negligible.

NOTE.—Based on calendar year 1966 levels of income. The terms "overwithholding," and "underwithholding," in this table means the difference between actual tax liabilities (based on all types of income, deductions, etc.) and the amount of tax withheld from wages and salaries.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Explanation of graduated withholding rates.—The bill substitutes six graduated rates for the present withholding rate and incorporates features designed to reflect the minimum standard deduction. Moreover, it permits employees who would otherwise be overwithheld to make adjustments if their itemized deductions exceed specified amounts.

The graduated rates, which range from 14 percent to 30 percent, are included in two separate rate schedules, one for single persons and heads of households, and the other, with wider brackets to take account

of statutory income splitting, for married persons and surviving spouses.

The minimum standard deduction is taken into account by raising the value of the exemption to \$700 for withholding purposes and by establishing an initial band of wage income after exemptions, equal to \$200 on an annual basis, from which no tax will be withheld. This is consistent with the provisions regarding the minimum standard deduction, which provide a deduction equal to a basic \$200 amount for a single person, a head-of-household, or a married couple, and an additional \$100 amount for each exemption claimed. The rate schedule reflects an allowance for deductions of approximately 10 percent of wage and salary income at wage levels where the minimum standard deduction is not used.

The withholding rate schedules for single persons and married persons as applied to an annual basis are as follows:

SINGLE PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of wages in excess of \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of wages in excess of \$700.
Over \$1,200 but not over \$4,400---	\$145 plus 17% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of wages in excess of \$4,400.
Over \$8,800 but not over \$11,000--	\$1,569 plus 25% of wages in excess of \$8,800.
Over \$11,000-----	\$2,119 plus 30% of wages in excess of \$11,000.

MARRIED PERSON

If the amount of wages reduced by \$700 times the number of exemptions is:

The amount of income tax to be withheld is:

Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of wages in excess of \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of wages in excess of \$1,200.
Over \$4,400 but not over \$8,800---	\$620 plus 17% of wages in excess of \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of wages in excess of \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of wages in excess of \$17,700.
Over \$22,000-----	\$4,223 plus 30% of wages in excess of \$22,000.

As under present law, employers will be permitted to compute withholding by means of either wage-bracket tables or by means of a percentage method. Wage-bracket tables for the various payroll periods now recognized, as set forth in the bill, will be distributed by the Internal Revenue Service. Instructions for applying the percentage method will also be supplied.

With regard to any irregular supplemental wage payment, such as a bonus, employers will be permitted either to compute withholding by treating the payment as if it were part of the current or preceding regular wage payment or by applying a flat percentage rate to the supplemental wage payment without making any allowance for exemptions. It is expected that the regulations will provide for a flat rate of around 20 percent.

For the purpose of graduated withholding, married persons will be required to file new withholding exemption certificates with their employers if they wish to have the tax withheld from them based on the rates applicable to married couples. A person who is married to a nonresident alien, or a person legally separated from his spouse under a decree of divorce or separate maintenance, will be considered single for withholding purposes. A "surviving spouse"—i.e., a person

whose spouse died during one of the two immediately preceding taxable years—and also a person whose spouse died during the taxable year, will be considered married for withholding purposes unless the deceased spouse was either a nonresident alien or was legally separated from the taxpayer under a decree of divorce or separate maintenance at the time of his death.

Employers are required to compute withholding on the basis of the rates applicable to single persons if an employee fails to submit a new withholding exemption certificate.

Withholding allowances for persons with substantial itemized deductions.—The House bill establishes a procedure whereby taxpayers with relatively large itemized deductions may claim withholding allowances in addition to the regular withholding exemptions. Each of these allowances will have the same effect on withholding from wages and salaries as a claimed exemption; that is, it will exempt \$700 from withholding on an annual basis.

Taxpayers who wish to utilize this procedure will be required to estimate their wage and salary income and the amount of their itemized deductions. The amount of estimated wage and salary income for this purpose, however, may not be less than the amount shown on the return for the previous year, while the estimated amount of itemized deductions may not exceed the amount of such deductions claimed on the tax return filed for the previous year. Where a standard deduction was used in the prior year the deduction for that year is taken as 10 percent of his wages for that year, or \$1,000, whichever is the lower.

Under the House bill for those with estimated wage or salary incomes of \$7,500 or less, the number of withholding allowances would be based on the amount by which estimated itemized deductions exceed 12 percent of estimated wage and salary income. For those with higher estimated wages, the allowances would be based on the excess over the total of \$900 (12 percent of \$7,500) plus 17 percent of estimated wage and salary income in excess of \$7,500. One allowance could be claimed under the House-passed bill with respect to each full \$700 of such excess, except that the first withholding allowance could be claimed when the excess reached \$350 or more. This would mean, for example, that a taxpayer with an estimated wage income of \$7,000 for the year would under the House-passed bill be permitted to claim one withholding allowance if his itemized deductions exceed 12 percent of his estimated wages (\$840) plus \$350 or, in other words, if his itemized deductions equal \$1,190.

Your committee has modified this House-passed provision slightly. It has reduced the percentage by which an individual's itemized deductions must exceed his estimated wage income from 12 percent of the first \$7,500 to 10 percent of the first \$7,500 (but made no change in the 17 percent requirement with respect to estimated wage and salary income in excess of \$7,500). It has also removed the provision in the House bill which permitted an individual to obtain his first withholding allowance where the itemized deductions in excess of the percentage requirements equal or exceed \$350, but not \$700. Thus, your committee's action provides that in order to obtain any withholding allowance—either the first or a subsequent allowance—the taxpayer must have itemized deductions of a full \$700 in excess of the percentage minimum requirement for each such allowance claimed.

Your committee removed this provision because its attention was directed to the fact that the allowance in numerous cases led to underwithholding of income tax. This is illustrated in a number of examples shown in table 6. This table, shown subsequently in this report, indicates in specific cases the tax liability and withholding under present law and House bill and your committee's action for persons with itemized deductions of various sizes. Your committee believed that underwithholding in such cases was especially unfortunate because the individuals involved in such cases would not expect to be underwithheld. Your committee recognized nevertheless that the House action was taken in order to minimize overwithholding particularly for those with wage incomes below \$10,000 and was in accord with the desire to reduce overwithholding in this area. For that reason, although your committee removed the privilege of an individual to claim a withholding allowance for his itemized deductions where those over the percentage requirement do not equal a full \$700, it nevertheless provided relief from overwithholding for individuals in these income brackets by reducing the minimum percentage requirement from 12 to 10 percent with respect to the first \$7,500 of wage or salary income. This reduction minimizes overwithholding for these income levels to the full extent possible without resulting in underwithholding in an appreciable number of cases. It will also have the effect of reducing some overwithholding in other income levels as well.

The House bill provided that the Secretary of the Treasury or his delegate could, by regulations, provide in certain cases that some or all of the withholding allowances were not to be available. The authority to disallow the withholding allowances was designed to provide for those cases where the employee's income was sufficiently high that the 30 percent top withholding rate would not result in withholding of the full tax liability. In such cases, the withholding allowances might merely increase the underwithholding. Your committee has accepted the House provision but made a technical change designed to make it clear that the wage levels where the withholding rate does not generally collect the full tax liabilities could be determined on an approximate basis. This recognizes the fact that due to the different deduction and exemption status of individuals and also due to variations in the extent of underwithholding which will result from the 30-percent rate for varying sizes of incomes, it is not possible to compensate precisely for this underwithholding by disallowance of withholding allowances. Therefore, at these income levels an approximation must be used. This is made clear in your committee's amendment.

Claims for withholding allowances under both the House bill and your committee's amendments will be filed by employees with their employers on withholding exemption certificates or similar forms. The employer will then withhold tax on the basis of the total of the claimed exemptions and withholding allowances. For a calendar year taxpayer, claims for withholding allowances will remain in effect during the period in the calendar year which remains after the claim is filed and, unless a claim for the next year is filed, for the first 4 months of that year. Withholding allowances must be claimed anew each year. After May 1 of each year, employers will be required to

disregard withholding allowances claimed on withholding exemption certificates filed in a prior calendar year. The fact that withholding allowances must be disregarded when a new claim is not filed will not affect the number of exemptions for dependents, etc., to be taken into account. The employer will continue to compute withholding on the basis of the number of these exemptions shown on the last withholding exemption certificate filed by the employee.

The Secretary of the Treasury or his delegate is authorized to design ready reference tables, to be supplied employers for the guidance of their employees, which will simplify the determination of the number of withholding allowances to which an employee is entitled and it is the committee's understanding that this will be done. When these tables are provided, they are to be the exclusive method for determining the number of withholding allowances. These tables are to be based on reasonable wage and itemized deduction brackets and may increase or decrease the number of withholding allowances computed under the 10 and 17 percent otherwise allowable to the extent such departure results in withholding which more closely equals the tax liability with respect to the wage or salary income (not taking into account other income).

To facilitate the above procedure, the bill increases the number of dates on which employers will be required to recognize changes in the number of exemptions and withholding allowances claimed by employees. In addition to the existing January 1 and July 1 status determination dates upon which such changes must now be recognized, the bill adds the further dates of May 1 and October 1. As under existing law, employers will be permitted to give effect to amended withholding exemption certificates prior to the given dates if they wish to do so.

The bill also provides that for married couples the computation as to whether they are entitled to withholding allowances must be made on a joint basis unless they filed separate returns for the prior year and expect to file separate returns for the current year. Married couples may divide the exemptions and withholding allowances to which they are jointly entitled if both receive wages subject to withholding. Furthermore, the bill requires that employees who work simultaneously for two or more employers may claim withholding allowances with only one of these employers.

The bill also provides a civil penalty of \$50 to be imposed when a taxpayer lists wage and salary income of less than the amount received in the previous year or if he lists itemized deductions in excess of the amount claimed in the previous year. The civil penalty does not apply, however, if the misstatement does not result in reduced withholding or the tax liability does not exceed the amount withheld plus the payments of estimated tax.

Present law (sec. 7205) already provides that where an individual who is required to supply information to his employer under the withholding tax provision willfully supplies false or fraudulent information or willfully fails to supply information he is to be fined not more than \$500 or imprisoned for not more than 1 year, or both. This presently applies to withholding tax exemptions and, under the bill, is extended to withholding allowances since for purposes of the internal revenue laws these allowances are treated as withholding exemptions. It should be noted, however, that this criminal penalty applies only in the case of "willful violations," and in practice it is applied only

where the omission or failure results in a substantial amount of underwithholding.

Effective date.—Withholding under the new graduated rates is to apply with respect to remuneration paid after April 30, 1966. The special relief procedures for persons with substantial itemized deductions will apply in years beginning after December 31, 1966. It was thought that this latter provision should not apply before 1967 because time was needed to acquaint taxpayers with the basic 6-rate graduated withholding system. Moreover, since the graduated system is not in effect for the first 4 months of 1966, any overwithholding attributable to these rates is not expected to be serious in 1966.

Revenue effect.—It is estimated that the proposals relating to graduated withholding will increase the amount of tax withheld by \$1,240 million at annual rates during the calendar year 1966. When the procedures for claiming withholding allowances become effective, this amount will be reduced, if two-thirds of those eligible avail themselves of the procedure, to \$305 million. As a result of the increase in amounts withheld, there will be a temporary increase in Federal tax collections of \$95 million in budget receipts in the fiscal year 1966 and an increase of \$245 million in budget receipts for the fiscal year 1967. A decrease in present revenues of \$230 million is expected in the fiscal year 1968, the year in which the withholding allowance system becomes fully effective.

Effect of graduated withholding at different income levels.—Table 5 compares the average amount of overwithholding and underwithholding under present law and under the graduated withholding system for all returns, for those with adjusted gross income under \$5,000, for those with income between \$5,000 and \$10,000, and for those with such income over \$10,000. As is indicated in this table, H.R. 12752 makes a substantial reduction in underwithholding, decreasing this in the average case from \$151 to \$79. In addition, the bill, although primarily concerned with underwithholding, also substantially decreases overwithholding as well. This is attributable both to the provision for the minimum standard deduction in the lower brackets and also to the provision for a withholding allowance for those with substantial overwithholding. It should be noted that in the average case overwithholding is decreased in all three of the major income categories as well as on an overall basis.

Tables 6-A through 6-G show the tax liability for single persons, married couples with no dependents, and married couples with two dependents for various wage income levels. This tax liability is shown for varying assumed levels of standard (or minimum standard) or itemized deductions. The assumptions shown are for a 10-percent deduction, a 15-percent deduction, a 20-percent deduction, a 22½-percent deduction, a 25-percent deduction, a 27½-percent deduction, and a 30-percent deduction. With the tax liability in each of these cases, there is shown the amount withheld at the 14-percent flat rate of existing law, the graduated withholding passed by the House of Representatives and the amendment provided by your committee's bill. The special withholding allowance for those with substantial itemized deductions begins to decrease overwithholding above the 15-percent level.¹ Thus the impact of this allowance is shown only

¹ Although itemized deductions are taken into account on the first \$7,500 of income where they exceed 10 percent, this nevertheless does not result in the availability of a special withholding allowance below the 15-percent level because this allowance is available only when there is a full \$700 above the 10 percent.

on tables 6-C through 6-G. For these tables the effect of the withholding allowance is taken into account in the amount of withholding under the graduated withholding system. These tables show both the change in withholding from present law and the overwithholding or underwithholding under present law, under the graduated withholding system passed by the House of Representatives and as amended by your committee.

TABLE 5.—Comparison of average amounts of underwithholding and overwithholding under present law and as approved by the Senate Finance Committee

	Present 14 percent withholding			Graduated withholding including withholding allowances		
	Returns ¹	Amount	Average	Returns ¹	Amount	Average
All returns:	<i>Millions</i>	<i>Millions</i>		<i>Millions</i>	<i>Millions</i>	
Overwithholding	45.2	\$6,130	\$136	43.0	\$5,330	\$124
Underwithholding	17.9	2,700	151	20.1	1,595	79
Under \$5,000 adjusted gross income:						
Overwithholding	24.2	2,130	88	20.6	1,525	74
Underwithholding	7.2	340	47	10.8	345	32
\$5,000 to \$10,000 adjusted gross income:						
Overwithholding	16.0	3,000	188	15.4	2,545	165
Underwithholding	6.7	760	113	7.3	540	74
\$10,000 and over adjusted gross income:						
Overwithholding	5.0	1,000	200	7.0	1,260	180
Underwithholding	4.0	1,600	400	2.0	710	355

¹ Returns from the \$10 tolerance breakeven class have been assigned equally to overwithholding and underwithholding.

TABLE 6-A.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 10 percent of wage income

Wage income	Tax liability	Amount of withholding		Overwithholding (+) or underwithholding (—)	
		Present 14 percent	House bill and committee amendment	Present 14 percent	House bill and committee amendment

SINGLE INDIVIDUAL					
\$1,000.....	\$16	\$47	\$14	+\$31	—\$2
\$2,000.....	163	187	162	+24	—1
\$3,000.....	329	327	332	—2	+3
\$5,000.....	671	607	672	—64	+1
\$7,500.....	1,168	957	1,169	—211	+1
\$10,000.....	1,742	1,307	1,694	—435	—48
\$12,500.....	2,398	1,657	2,359	—741	—39
\$15,000.....	3,154	2,007	3,109	—1,147	—45
\$20,000.....	4,918	2,707	4,609	—2,211	—309
\$25,000.....	6,982	3,407	6,109	—3,575	—873
\$35,000.....	11,627	4,807	9,109	—6,820	—2,518

MARRIED COUPLE, NO DEPENDENTS					
\$2,000.....	\$58	\$93	\$56	+\$35	—\$2
\$3,000.....	204	233	200	+29	—4
\$5,000.....	501	513	500	+12	—1
\$7,500.....	914	863	909	—51	—5
\$10,000.....	1,342	1,213	1,334	—129	—8
\$12,500.....	1,831	1,563	1,828	—268	—3
\$15,000.....	2,335	1,913	2,328	—422	—7
\$20,000.....	3,484	2,613	3,373	—871	—111
\$25,000.....	4,796	3,313	4,703	—1,483	—93
\$35,000.....	7,997	4,713	7,703	—3,284	—294

MARRIED COUPLE, 2 DEPENDENTS					
\$3,000.....	\$4	\$46	0	+\$42	—\$4
\$5,000.....	290	326	\$290	+36	0
\$7,500.....	686	676	671	—10	+5
\$10,000.....	1,114	1,026	1,096	—88	—18
\$12,500.....	1,567	1,376	1,548	—191	—19
\$15,000.....	2,062	1,726	2,048	—336	—14
\$20,000.....	3,160	2,426	3,048	—734	—112
\$25,000.....	4,412	3,126	4,283	—1,286	—129
\$35,000.....	7,529	4,526	7,283	—3,003	—246

TABLE 6-B.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 15 percent of wage income

Wage income	Tax liability	Amount of withholding		Overwithholding (+) or underwithholding (—)	
		Present 14 percent	House bill and com- mittee amendment	Present 14 percent	House bill and com- mittee amendment

SINGLE INDIVIDUAL					
\$1,000	\$16	\$47	\$14	+\$31	—\$2
\$2,000	161	187	162	+26	+1
\$3,000	302	327	332	+25	+30
\$5,000	624	607	672	—17	+48
\$7,500	1,080	957	1,169	—123	+89
\$10,000	1,605	1,307	1,694	—298	+89
\$12,500	2,198	1,657	2,359	—541	+161
\$15,000	2,884	2,007	3,109	—877	+225
\$20,000	4,498	2,707	4,609	—1,791	+111
\$25,000	6,382	3,407	6,109	—2,975	—273
\$35,000	10,700	4,807	9,109	—5,893	—1,591

MARRIED COUPLES, NO DEPENDENTS					
\$2,000	\$58	\$93	\$56	+\$35	—\$2
\$3,000	192	233	200	—41	+8
\$5,000	458	513	500	+55	+42
\$7,500	843	863	909	+20	+66
\$10,000	1,247	1,213	1,334	—34	+87
\$12,500	1,694	1,563	1,828	—131	+134
\$15,000	2,161	1,913	2,328	—248	+167
\$20,000	3,210	2,613	3,373	—597	+163
\$25,000	4,396	3,313	4,703	—1,083	+307
\$35,000	7,314	4,713	7,703	—2,061	+389

MARRIED COUPLE, 2 DEPENDENTS					
\$3,000	\$4	\$46	0	+\$42	—\$4
\$5,000	268	326	\$290	+58	+22
\$7,500	616	676	671	+60	+55
\$10,000	1,019	1,026	1,096	+7	+77
\$12,500	1,430	1,376	1,548	—54	+118
\$15,000	1,897	1,726	2,048	—171	+151
\$20,000	2,910	2,426	3,048	—484	+138
\$25,000	4,058	3,126	4,283	—932	+225
\$35,000	6,866	4,526	7,283	—2,340	+417

TABLE 6-C.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 20 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			House bill ¹	Committee amendment ²		House bill ¹	Committee amendment ³

SINGLE INDIVIDUAL

\$1,000.....	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000.....	145	187	162	162	+42	+17	+17
\$3,000.....	276	327	332	332	+51	+56	+56
\$5,000.....	576	607	553	672	+31	-23	+96
\$7,500.....	998	957	1,029	1,029	-41	+31	+31
\$10,000.....	1,480	1,307	1,529	1,529	-173	+49	+49
\$12,500.....	2,022	1,657	2,149	2,149	-365	+127	+127
\$15,000.....	2,638	2,007	2,899	2,899	-631	+261	+261
\$20,000.....	4,096	2,707	4,399	4,399	-1,389	+303	+303
\$25,000.....	5,800	3,407	5,899	5,899	-2,393	+99	+99
\$35,000.....	9,772	4,807	9,109	9,109	-4,965	³ -663	³ -663

MARRIED COUPLE, NO DEPENDENTS

\$2,000.....	\$56	\$93	\$56	\$56	+\$37	0	0
\$3,000.....	170	233	200	200	+63	+\$30	+\$30
\$5,000.....	418	513	395	500	+95	-23	+82
\$7,500.....	772	863	790	790	+91	+18	+18
\$10,000.....	1,152	1,213	1,215	1,215	+61	+63	+63
\$12,500.....	1,556	1,563	1,688	1,688	+7	+132	+132
\$15,000.....	1,996	1,913	2,188	2,188	-83	+192	+192
\$20,000.....	2,960	2,613	3,198	3,198	-347	+238	+238
\$25,000.....	4,044	3,313	4,493	4,493	-731	+449	+449
\$35,000.....	6,668	4,713	7,283	7,283	-1,955	+615	+615

MARRIED COUPLE, 2 DEPENDENTS

\$3,000.....	0	\$46	0	0	+\$46	0	0
\$5,000.....	\$230	326	\$185	\$290	+96	-\$45	+\$60
\$7,500.....	552	676	560	560	+124	+8	+8
\$10,000.....	924	1,026	977	977	+102	+53	+53
\$12,500.....	1,304	1,376	1,408	1,408	+72	+104	+104
\$15,000.....	1,732	1,726	1,908	1,908	-6	+176	+176
\$20,000.....	2,660	2,426	2,908	2,908	-234	+248	+248
\$25,000.....	3,708	3,126	4,098	4,098	-582	+390	+390
\$35,000.....	6,236	4,526	6,863	6,863	-1,710	+627	+627

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor equal or exceed \$350 rather than \$700.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 10 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions.

³ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-D.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 22½ percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			House bill ¹	Com- mittee amend- ment ²		House bill ¹	Com- mittee amend- ment ²

SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000-----	138	187	162	162	+49	+24	+24
\$3,000-----	263	327	332	332	+64	+69	+69
\$5,000-----	552	607	553	672	+55	+1	+120
\$7,500-----	957	957	1,029	1,029	0	+72	+72
\$10,000-----	1,418	1,307	1,529	1,529	-111	+111	+111
\$12,500-----	1,935	1,657	2,149	2,149	-278	+214	+214
\$15,000-----	2,518	2,007	2,899	2,899	-511	+381	+381
\$20,000-----	3,901	2,707	4,189	4,189	-1,194	+288	+288
\$25,000-----	5,519	3,407	5,689	5,689	-2,112	+170	+170
\$35,000-----	9,308	4,807	9,109	9,109	-4,501	³ -199	³ -199

MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$49	\$93	\$56	\$56	+\$44	+\$7	+\$7
\$3,000-----	159	233	200	200	+74	+41	+41
\$5,000-----	398	513	395	500	+115	-3	+102
\$7,500-----	736	863	790	790	+127	+54	+54
\$10,000-----	1,104	1,213	1,215	1,215	+109	+111	+111
\$12,500-----	1,487	1,563	1,688	1,688	+76	+201	+201
\$15,000-----	1,914	1,913	2,188	2,188	-1	+274	+274
\$20,000-----	2,835	2,613	3,048	3,048	-222	+213	+213
\$25,000-----	3,869	3,313	4,283	4,283	-556	+414	+414
\$35,000-----	6,353	4,713	7,073	7,073	-1,640	+720	+720

MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	0	+\$46	0	0
\$5,000-----	\$211	326	\$185	\$290	+115	-\$26	+\$79
\$7,500-----	520	676	560	560	+156	+40	+40
\$10,000-----	876	1,026	977	977	+150	+101	+101
\$12,500-----	1,245	1,376	1,408	1,408	+131	+163	+163
\$15,000-----	1,650	1,726	1,908	1,908	+76	+258	+258
\$20,000-----	2,535	2,426	2,768	2,768	-109	+233	+233
\$25,000-----	3,533	3,126	3,923	3,923	-407	+390	+390
\$35,000-----	5,921	4,526	6,653	6,653	-1,395	+732	+732

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor equal or exceed \$350 rather than \$700.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 10 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions.

³ Allowance does not increase underwithholding because of limitation provided by the bill.

TABLE 6-E.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 25 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			House bill ¹	Com- mittee amend- ment ²		House bill ¹	Com- mittee amend- ment ²
SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000-----	130	187	162	162	+57	+32	+32
\$3,000-----	250	327	213	332	+77	-37	+82
\$5,000-----	528	607	553	553	+79	+25	+25
\$7,500-----	916	957	1,029	1,029	+41	+113	+113
\$10,000-----	1,355	1,307	1,529	1,529	-48	+174	+174
\$12,500-----	1,847	1,657	2,149	1,969	-190	+302	+122
\$15,000-----	2,398	2,007	2,689	2,689	-391	+291	+291
\$20,000-----	3,706	2,707	4,189	3,979	-999	+483	+273
\$25,000-----	5,238	3,407	5,479	5,479	-1,831	+241	+241
\$35,000-----	8,855	4,807	8,899	8,899	-4,048	³ +44	³ +44
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$42	\$93	\$56	\$56	+\$51	+\$14	+\$14
\$3,000-----	148	233	98	200	+85	-50	+52
\$5,000-----	378	513	395	395	+135	+17	+17
\$7,500-----	701	863	790	790	+162	+89	+89
\$10,000-----	1,057	1,213	1,215	1,215	+156	+158	+158
\$12,500-----	1,418	1,563	1,688	1,548	+145	+270	+130
\$15,000-----	1,831	1,913	2,048	2,048	+82	+217	+217
\$20,000-----	2,710	2,613	3,048	2,908	-97	+338	+198
\$25,000-----	3,694	3,313	4,098	4,098	-381	+404	+404
\$35,000-----	6,038	4,713	6,863	6,863	-1,325	+825	+825
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----		\$46	0	0	-\$46	0	0
\$5,000-----	\$192	326	\$185	\$185	+134	-\$7	-\$7
\$7,500-----	488	676	560	560	+188	+72	+72
\$10,000-----	829	1,026	977	977	+197	+148	+148
\$12,500-----	1,185	1,376	1,408	1,283	+191	+223	+98
\$15,000-----	1,567	1,726	1,768	1,768	+159	+201	+201
\$20,000-----	2,410	2,426	2,768	2,628	+16	+358	+218
\$25,000-----	3,358	3,126	3,748	3,748	-232	+390	+390
\$35,000-----	5,612	4,526	6,443	6,443	-1,086	+831	+831

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor equal or exceed \$350 rather than \$700.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 10 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6-F.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 27½ percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			House bill ¹	Com- mittee amend- ment ²		House bill ¹	Com- mittee amend- ment ²
SINGLE INDIVIDUAL							
\$1,000-----	\$16	\$47	\$14	\$14	+\$31	-\$2	-\$2
\$2,000-----	122	187	162	162	+65	+40	+40
\$3,000-----	238	327	213	332	+89	-25	+94
\$5,000-----	505	607	553	553	+102	+48	+48
\$7,500-----	874	957	1,029	1,029	+83	+155	+155
\$10,000-----	1,292	1,307	1,389	1,389	+15	+97	+97
\$12,500-----	1,760	1,657	1,969	1,969	-103	+209	+209
\$15,000-----	2,278	2,007	2,689	2,479	-271	+411	+201
\$20,000-----	3,514	2,707	3,979	3,979	-807	+465	+465
\$25,000-----	4,970	3,407	5,269	5,269	-1,563	+299	+299
\$35,000-----	8,418	4,807	8,479	8,479	-3,611	³ +61	³ +61
MARRIED COUPLE, NO DEPENDENTS							
\$2,000-----	\$35	\$93	\$56	\$56	+\$58	+\$21	+\$21
\$3,000-----	136	233	98	200	+97	-38	+64
\$5,000-----	358	513	395	395	+155	+37	+37
\$7,500-----	665	863	790	790	+198	+125	+125
\$10,000-----	1,010	1,213	1,096	1,096	+203	+86	+86
\$12,500-----	1,354	1,563	1,548	1,548	+209	+194	+194
\$15,000-----	1,748	1,913	2,048	1,908	+165	+300	+160
\$20,000-----	2,585	2,613	2,908	2,908	+28	+323	+323
\$25,000-----	3,519	3,313	3,923	3,923	-206	+404	+404
\$35,000-----	5,723	4,713	6,653	6,443	-1,010	+930	+720
MARRIED COUPLE, 2 DEPENDENTS							
\$3,000-----	0	\$46	0	0	+\$46	0	0
\$5,000-----	\$174	326	\$185	\$185	+152	+\$11	+\$11
\$7,500-----	456	676	560	560	+220	+104	+104
\$10,000-----	782	1,026	858	858	+244	+76	+76
\$12,500-----	1,126	1,376	1,283	1,283	+250	+157	+157
\$15,000-----	1,484	1,726	1,768	1,628	+242	+284	+144
\$20,000-----	2,285	2,426	2,628	2,628	+141	+343	+343
\$25,000-----	3,191	3,126	3,573	3,573	-65	+382	+382
\$35,000-----	5,332	4,526	6,233	6,023	-806	+901	+691

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor equal or exceed \$350 rather than \$700.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 10 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

TABLE 6-G.—Underwithholding and overwithholding under present law, under H.R. 12752 as passed by the House of Representatives, and under the Finance Committee amendment; selected taxpayers with deductions the greater of the minimum standard deduction or 30 percent of wage income

Wage income	Tax liability	Amount of withholding			Overwithholding (+) or underwithholding (-)		
		Present 14 percent	Under H.R. 12752		Present 14 percent	Under H.R. 12752	
			House bill ¹	Com- mittee amend- ment ²		House bill ¹	Com- mittee amend- ment ²

SINGLE INDIVIDUAL

\$1,000.....	\$14	\$47	\$14	\$14	+\$33	0	0
\$2,000.....	115	187	56	162	+72	-\$59	+\$47
\$3,000.....	225	327	213	332	+102	-12	+107
\$5,000.....	481	607	553	553	+126	+72	+72
\$7,500.....	833	957	1,029	889	+124	+196	+56
\$10,000.....	1,230	1,307	1,389	1,389	+77	+159	+159
\$12,500.....	1,672	1,657	1,969	1,794	-15	+297	+122
\$15,000.....	2,162	2,007	2,479	2,479	-155	+317	+317
\$20,000.....	3,334	2,707	3,769	3,769	-627	+435	+435
\$25,000.....	4,708	3,407	5,059	5,059	-1,301	+351	+351
\$35,000.....	7,980	4,807	8,059	8,059	-3,173	³ +79	³ +79

MARRIED COUPLE, NO DEPENDENTS

\$2,000.....	\$28	\$93	0	\$56	+\$65	-\$28	+\$28
\$3,000.....	126	233	\$98	200	+107	-28	+74
\$5,000.....	338	513	395	395	+175	+57	+57
\$7,500.....	630	863	790	671	+233	+160	+41
\$10,000.....	962	1,213	1,096	1,096	+251	+134	+134
\$12,500.....	1,294	1,563	1,548	1,408	+269	+254	+114
\$15,000.....	1,666	1,913	1,908	1,908	+247	+242	+242
\$20,000.....	2,460	2,613	2,768	2,768	+153	+308	+308
\$25,000.....	3,344	3,313	3,748	3,748	-31	+404	+404
\$35,000.....	5,436	4,713	6,233	6,233	-723	+797	+797

MARRIED COUPLE, 2 DEPENDENTS

\$3,000.....	0	\$46	0	0	+\$46	0	0
\$5,000.....	\$155	326	\$185	\$185	+171	+\$30	+\$30
\$7,500.....	426	676	560	455	+250	+134	+29
\$10,000.....	734	1,026	858	858	+292	+124	+124
\$12,500.....	1,066	1,376	1,283	1,164	+310	+217	+98
\$15,000.....	1,402	1,726	1,628	1,628	+324	+226	+226
\$20,000.....	2,172	2,426	2,488	2,488	+254	+316	+316
\$25,000.....	3,035	3,126	3,398	3,398	+91	+363	+363
\$35,000.....	5,052	4,526	5,813	5,813	-526	+761	+761

¹ With an extra \$700 exemption for withholding purposes for each \$700 by which 12 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions, except that a single additional allowance is allowed where the itemized deductions above the floor equal or exceed \$350 rather than \$700.

² With an extra \$700 exemption for withholding purposes for each \$700 by which 10 percent of the first \$7,500 of estimated wages plus 17 percent of the remainder of estimated wages is exceeded by estimated itemized deductions.

³ Allowance does not result in underwithholding because of limitation provided by the bill.

2. Payments of estimated social security and hospital insurance taxes by self-employed persons (sec. 102 of the bill and sec. 6015 of the code)

Present law.—Under existing law, self-employed persons are required to pay their social security tax and their tax for the hospital insurance program when they file their final income tax return for a given year. However, they may voluntarily pay this tax quarterly with their estimated income tax payments.

The tax, now based on the initial \$6,600 of net earnings from self-employment, is imposed on self-employed individuals who have net earnings from self-employment which total \$400 or more. When an individual also has covered wage income, this is subtracted from the \$6,600 maximum earnings base, and the self-employment tax is computed on the lesser of this amount or net earnings from self-employment. A taxpayer who has \$400 of net self-employment income must file a final return and pay self-employment tax even if he is not required to file an income tax return.

General explanation.—The bill places self-employed persons on the same current payment basis with respect to the payment of their self-employment tax that they are now on for income tax purposes. It does so by requiring quarterly payments of estimated self-employment tax. It will place self-employed persons on more nearly the same payments basis for social security purposes as that of employed persons, whose social security tax is withheld from their wages by employers.

The adoption of current payment for self-employment tax is accomplished with a minimum of difficulty for the self-employed taxpayers who currently file declarations of estimated income tax, since the payment of estimated self-employment tax will be integrated with the payment of estimated income tax. For the estimated 1 million self-employed persons who do not now file declarations of estimated income tax but who will be required to file such declarations as a result of this bill, the advantages of current payment will outweigh the added compliance requirements.

The payments of the self-employment tax will, as a result of this bill, be received on a quarterly basis instead of generally on an annual basis as under present law. It is understood that the amounts received on a quarterly basis will be estimated and paid over from the general fund to the OASI, DI, and HI trust funds on a current basis.

Tables 7 and 8 show the maximum dollar amount of self-employment tax and tax liability since 1951.

TABLE 7.—Maximum dollar amount of self-employment tax for individuals, 1951 to 1987

Year	Maximum net earnings base ¹	Tax rate	Maximum tax per person
		<i>Percent</i>	
1951-53.....	\$3,600	2.25	\$81.00
1954.....	3,600	3.0	108.00
1955-56.....	4,200	3.0	126.00
1957-58.....	4,200	3.375	141.75
1959.....	4,800	3.75	180.00
1960-61.....	4,800	4.5	216.00
1962.....	4,800	4.7	225.60
1963-65.....	4,800	5.4	259.20
1966.....	6,600	² 6.15	405.90
1967-68.....	6,600	6.40	422.40
1969-72.....	6,600	7.10	468.60
1973-75.....	6,600	7.55	498.30
1976-79.....	6,600	7.60	501.60
1980-86.....	6,600	7.70	508.20
1987+.....	6,600	7.80	514.80

¹ The minimum net earnings subject to the self-employment rate has been \$400 since 1951.

² Includes OASDI (social security) tax rates and HI (hospital insurance) tax rate of 1966 and all following years.

TABLE 8.—*Self-employment tax liability, 1951 to 1966*

Year	Self-employment tax		
	Number of income tax returns reporting self-employment tax	Amount of self-employment tax	Average tax per return ¹
	<i>Millions</i>	<i>Millions</i>	
1951.....	4.1	\$211.3	\$51.90
1952.....	4.1	217.5	53.60
1953.....	4.2	226.6	53.70
1954.....	4.2	301.5	71.60
1955.....	6.6	463.2	69.70
1956.....	7.4	533.1	72.50
1957.....	7.0	581.2	83.10
1958.....	7.0	589.2	84.00
1959.....	7.0	701.5	99.70
1960.....	6.9	833.5	121.00
1961.....	6.7	840.1	124.50
1962.....	6.7	887.2	132.90
1963.....	6.5	1,002.2	154.60
1964 (preliminary).....	6.3	1,009.0	160.00
1965 (estimated) ²	6.2	1,050.0	169.00
1966 (estimate) ²	6.3	1,500.0	238.00

¹ Average computed from unrounded figures.

² Includes doctors of medicine newly covered by the Social Security Amendments Act of 1965.

Explanation of provision.—Under the bill, a self-employed person generally will be required to file a declaration of estimated tax whenever the combined total of his estimated income tax liability and his estimated social security and hospital insurance tax liability exceeds \$40. Payments of estimated tax will be made as at present with the exception that the amount paid will include both the estimated income tax and the estimated self-employment tax. That is, for calendar-year taxpayers the declaration will have to be filed by April 15 and quarterly payments will be required on April 15, June 15, and September 15 of the current year and on January 15 of the succeeding year.

Persons whose gross income derived from farming and fishing activities will be at least two-thirds of their estimated gross income from all sources will not be required to make quarterly payments of estimated self-employment tax. This treatment conforms to the present provisions for the payment of estimated income tax for farmers and fishermen. Further in conformity with present law regarding estimated income tax, such persons will have until January 15 of the year following the taxable year to file a declaration of estimated tax, and need not file a declaration at all if they choose to file their final tax return by February 15.

A penalty for underpayment of estimated tax will be imposed when amounts paid by the quarterly payment dates are less than the amounts that would be due on those dates if the estimated tax for the year equaled 80 percent of the combined liability for income and self-employment taxes. The penalty is computed with respect to each installment separately. However, even if the above 80-percent rule is not met, no penalty is imposed with respect to an installment if the estimated tax paid to date equals the amount that would be required to be paid if the estimated tax were the least of the following:

(1) The sum of the income tax and the self-employment tax shown on the return for the prior year;

(2) The sum of the income tax and the self-employment tax that would be due on the prior year's income under current rates and current exemptions;

(3) An amount equal to 80 percent (66½ percent for farmers and fishermen) of the combined income and self-employment taxes due computed by annualizing the taxable income received in the months in the year prior to the month a particular installment is due. Self-employment income for this purpose is only the amount received to date with the maximum of \$6,600 reduced by employee social security wage income placed on an annualized basis; or

(4) An amount equal to 90 percent or more of the combined tax payable on the income actually received from the beginning of the year up to the month in which the installment is due.

Effective date.—This provision is effective for taxable years beginning after December 31, 1966.

Revenue effect.—This provision is expected to increase fiscal year 1967 trust fund revenues, which are not reflected in the administrative budget, by \$200 million. It will have no effect on revenues in the fiscal year 1966.

3. Underpayment of installments of estimated income tax by individuals (sec. 103 of the bill and sec. 6654 of the code)

Present law.—Under existing law the penalty for underpayment of estimated tax is restricted to the difference between the amount of tax paid through withholding, quarterly installments of estimated tax, or both, and 70 percent of the final liability for the taxable year. This penalty is computed on a quarterly basis. Even if this rule is not met, however, no penalty is imposed if one of four exceptions apply. One of those exceptions provides that the penalty will not be imposed if a quarterly payment equals the amount which would be due if the estimated tax were 70 percent of the tax due on the annualized amount of taxable income received in the months prior to the month the quarterly estimated tax payment is due.

The penalty imposed is a charge equal to 6 percent per year on the amount of underpayment. The penalty is not a deductible expense for tax purposes.

Explanation of provisions.—The bill increases the proportion of the final liability which is to be paid currently to avoid a penalty from 70 to 80 percent. This amendment restores the pre-1954 requirement. It is consistent with the other provisions of the bill since it more nearly requires current payment of tax. It insures that taxpayers who receive most of their income from sources not subject to withholding will be required to pay a larger share of their tax liability currently just as wage earners will be required to do through graduated withholding.

The bill also modifies the one alternative exception to the penalty which contains a 70 percent test. This is the annualized income test described above where the 70 percent requirement is raised to 80 percent to conform to the principal amendment.

Effective date.—This provision will apply with respect to taxable years which begin after December 31, 1966.

Revenue effect.—It is estimated that the larger estimated taxpayments required under this rule will result in a temporary increase in tax collections that will add \$150 million to revenues in fiscal year 1967.

4. *Acceleration of payment of estimated tax by corporations* (sec. 104 of the bill and sec. 6154 of the code)

Present law.—Corporations with an estimated tax liability in excess of \$100,000 presently are required to make partial payments during the current tax year of their estimated tax in excess of \$100,000. Under the provisions of the Revenue Act of 1964, corporations are in the midst of a transition from a system of two partial payments of currently estimated tax to a system of four payments made by calendar year corporations on April 15, June 15, September 15, and December 15.

Under the present schedule, corporations using the calendar year file an initial declaration and pay 9 percent of their estimated 1966 tax liability in excess of \$100,000 on April 15 of this year. On June 15 they pay an additional 9 percent of the estimated liability, and they pay installments of 25 percent each on September 15 and December 15. The remaining 32 percent of the estimated tax, as well as the initial \$100,000 of tax liability, is paid in equal installments on March 15 and June 15, 1967.

In 1967, the April and June estimated tax payments are each scheduled to be 14 percent of the estimated tax liability above \$100,000. The payment schedule under present law is summarized in table 9.

TABLE 9.—*Payment schedule for calendar year corporations under present law showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966-----	9	9	25	25	16	16
1967-----	14	14	25	25	11	11
1968-----	19	19	25	25	6	6
1969-----	22	22	25	25	3	3
1970-----	25	25	25	25	-----	-----
1971 and subsequent years-----	25	25	25	25	-----	-----

¹ Tax in excess of \$100,000.

General explanation.—This bill accelerates the transition to full current payment of corporate tax liabilities in excess of \$100,000. The transition is completed in 1967 under this bill, instead of 1970 as provided under existing law.

Corporate tax liabilities remain unchanged by the provisions of this bill.

The bill completes a process which began in 1950. Prior to 1950, corporations were permitted to pay their tax liability for the current year in four quarterly installments in the succeeding year. The Revenue Acts of 1950, 1954, and 1964 contained provisions which gradually required corporations to accelerate the payment of their liabilities to the year in which they accrued, just as individuals have done since 1943. The Revenue Act of 1964 required corporations to pay that portion of their tax liability which exceeds \$100,000 in four equal installments, which for calendar-year corporations are April 15, June 15, September 15, and December 15 of the year in which the liability occurs. It also provided a 7-year period during which the transition to this collection procedure would be completed.

Your committee's bill, in effect, merely reduces the length of the transition period to 4 years.

Under the bill, 12 percent, rather than 9 percent, of the tax in excess of \$100,000 is to be payable by a calendar-year corporation in April and June 1966, and in 1967 and thereafter 25 percent is to be payable on each of these two dates. Table 10 shows the schedule of payment dates provided under the bill for a calendar-year corporation for 1966 and subsequent years.

TABLE 10.—*Payment schedule for calendar-year corporations under bill showing percentage of estimated tax to be paid*¹

Calendar year	Current taxable year				Following year	
	Apr. 15	June 15	Sept. 15	Dec. 15	Mar. 15	June 15
1966.....	12	12	25	25	13	13
1967.....	25	25	25	25	-----	-----
1968 and subsequent years.....	25	25	25	25	-----	-----

¹ Tax in excess of \$100,000.

The bill does not impose a hardship on corporations. The majority of corporations, those with small- and medium-sized incomes, are excluded from the provision because their tax liability is less than \$100,000. It is estimated that only 16,000 corporations will be affected by this acceleration. There corporations are generally the largest and possess considerable financial resources.

Corporations affected by this provision will not be put on a fully current basis with respect to their total taxpayments, since only the estimated taxes in excess of \$100,000 are affected. Furthermore, the various provisions in existing law that limit the imposition of penalties when estimated payments fall short of actual liabilities are not changed.

Accelerating the corporate taxpayments schedule to complete the transition to the current payments basis in 1967 will produce larger payments in 1966 and 1967 than would be made under present law. It also means that the taxpayments in 1968, 1969, and 1970 will be lower than those scheduled under present law. These effects of the bill on taxpayments are desirable in view of current fiscal policy considerations.

Increased corporate taxpayments in 1966 and 1967 will introduce fiscal restraint into the economy during the critical months when the buildup of defense expenditures for Vietnam is greatest. The tax receipts will reduce the budgetary deficit and will reduce the cash flow available to corporations.

The reduction in corporate taxpayments in the years 1968 through 1970 below the levels under present law will come when it is hoped the pressures of Federal Government requirements upon the economy's productive capacity will have eased off. The corporations affected by this provision then will be in a position to increase their investment expenditures and thereby offset the leveling of Federal Government defense expenditures.

At the present time, investment in industrial plant and equipment is proceeding at record levels. A slowdown in the expected increase in investment spending, therefore, will moderate the demand for productive resources that no longer are in excess supply. Some re-

straint on increased investment spending under these circumstances appears appropriate. A similar moderation in dividend payments would be reflected in expenditures on consumer goods and would have the same salutary economic effect.

Acceleration of tax payments is preferable to an increase in the corporation income tax rate. Without any further acceleration of tax payments, an increase of 4 or 5 percentage points in the corporation income tax rate probably would be needed to yield the same revenue increase in fiscal year 1967 as the acceleration schedule in this bill.

The acceleration of corporate tax payments will moderate the increase in private investment expenditures and restrain inflationary pressures while permitting employment to continue to expand. The large tax increases necessary to yield as much increased tax receipts as the acceleration of payments might cause sizable reductions of investment expenditures thereby impairing the expansion in economic activity and productive capacity vital to continued stable economic growth.

Effective date.—The revised schedule for corporation tax payments is to apply to taxable years beginning after December 31, 1965.

Revenue effect.—Administrative budget receipts will be increased by \$1 billion in fiscal year 1966 and by \$3.2 billion in 1967 as a result of enactment of this provision.

5. *The excise tax on passenger automobiles* (sec. 201 of the bill and sec. 4061 of the code)

Present law.—Prior to the passage of the Excise Tax Reduction Act of 1965, a tax of 10 percent was imposed on the manufacturer's price for passenger automobiles. The rate was reduced to 7 percent for the period June 22, to December 31, 1965. On January 1, 1966, the tax rate was reduced to 6 percent, and it is scheduled to fall to 4 percent on January 1, 1967, and to 2 percent on January 1, 1968. On January 1, 1969, the tax will be reduced to a permanent level of 1 percent. Refunds will be paid to dealers with respect to automobiles held in inventory on any date on which the tax rate is reduced.

Explanation of provisions.—The bill restores the excise tax rate on passenger automobiles to the 7-percent rate applicable last December. The restoration of the 7-percent rate is for a 2-year period beginning the day after the date of enactment and ending on March 31, 1968. The excise tax rate on automobiles then is to become 2 percent, as scheduled under present law for 1968 and 1 percent on January 1, 1969. Thus there is a moratorium on these tax reductions scheduled under present law for a 2-year period. At the end of that time, however, the rate will revert to the level which would have been in effect in the absence of the moratorium.

The House bill would have imposed a tax of 1 percent of the manufacturers (or importers) price upon all new automobiles held in stock by dealers or distributors on the day the 7-percent tax rate becomes effective. Your committee has not retained this provision and, therefore, the bill as amended by it will not provide for a floor stock tax payable by the dealers.

The decision not to impose the floor stock tax was taken by your committee because dealers pointed out to the committee the many problems which they would have with respect to this tax. They would have difficulty, for example, in gaining customers' acceptance

to the inclusion of this tax in the retail price of cars since this amount would not be included in the sticker attached to the new cars reflecting the intended retail price. They also would have difficulty in determining the exact amount of this tax at the time they sold the cars out of their inventory in the case of sales occurring either on the date of the tax increase, or shortly thereafter. For these reasons your committee concluded that it was appropriate to delete the floor stock tax from the House bill. This will decrease revenues otherwise obtained from the House bill by \$25 million in the fiscal year 1966.

With regard to the reductions scheduled for 1968 and 1969, tax refunds will be made for inventory on hand. These refunds will be paid to dealers and distributors by manufacturers, and the latter will receive reimbursement from the Government.

Effective date.—The tax rate is to be restored to 7 percent effective with respect to sales by manufacturers, producers, and importers beginning with the day after the date of enactment.

Revenue effect.—This provision will increase revenues by \$35 million in the fiscal year 1966 and by \$420 million in the fiscal year 1967.

6. *The excise tax on telephone service* (sec. 202 of the bill and sec. 4251 of the code)

Present law.—Under the law in effect prior to January 1, 1966, a 10-percent tax was levied on amounts paid for general and toll telephone and teletypewriter exchange service. This rate was lowered to 3 percent effective as of January 1, 1966, under the provisions of the Excise Tax Reduction Act of 1965. As presently scheduled, the tax rate will fall to 2 percent on January 1, 1967, to 1 percent on January 1, 1968, and will be repealed on January 1, 1969.

Explanation of provision.—The bill restores the 10-percent excise tax rate on telephone service, including teletypewriter service, and postpones further reduction in the tax rate until April 1, 1968. On that date, the tax rate will fall to the 1-percent rate scheduled under present law to be effective in 1968. Then (as under present law) the tax is repealed on January 1, 1969.

The taxes on communications service which were repealed as of January 1, 1966, are not affected by this bill. Thus, private communications systems, telegraph service, and wire and equipment service will remain exempt from the excise tax.

Exemption for hospitals.—The bill provides an exemption from the excise tax for telephone services furnished to nonprofit hospitals exempt from income tax. This is to accord such hospitals the same treatment accorded Government hospitals under present law.

Effective date.—The 10-percent rate on telephone and teletypewriter service is to become effective with respect to bills rendered on or after the first day of the first month which begins more than 15 days after the effective date of this legislation. The exemption for nonprofit hospitals is to go into effect at the same time.

Revenue effect.—This provision will increase revenues by \$785 million in the fiscal year 1967.

7. *Disallowance of deduction for certain indirect contributions to political parties*—A provision added by your committee (sec. 301 of the bill and sec. 276 of the code)

In some cases it has been held that advertising in a convention program of a political party or in other political publications is

deductible where the intent of the advertising was to sell the product advertised rather than being designed primarily as a political contribution. In the case of payments for admissions to dinners or programs held for the purpose of raising funds for a political party or candidate, it appears unlikely that a deduction is available under present law even though the expense is incurred by a business (although deductions in some cases may be available for the fair market value of the dinner or the program). In addition, it is probable that under present law amounts paid for admission to an inaugural ball, gala, or similar event are in most cases not deductible.

Your committee believes that the tax treatment of advertising in a political publication, payments for admission to a political fund raising dinner or program, and admissions to inaugural balls, etc., should be clarified. Moreover, since direct political contributions are not deductible under present law to individuals not engaged in business, your committee believes that it is undesirable to permit a business to take a trade or business expense deduction with respect to any of these amounts which usually in practice represent ways of making indirect political contributions or costs of participating in political activities.

For the reasons indicated above, your committee has added a section to the Internal Revenue Code to insure that no deduction is to be allowed for advertising in a convention program of a political party or in any other publication if any part of the net proceeds of the publication directly or indirectly inures (or is intended to inure) to the use of a political party or to a political candidate. Similarly no deduction is to be allowed for payments made for admissions to any dinner or program if any part of the net proceeds of the dinner or program directly or indirectly inures (or is intended to inure) to the use of a political party or political candidate. In addition, no deduction is to be allowed for payments for admissions to inaugural balls, inaugural galas, inaugural parades, inaugural concerts, or similar events identified with a political party or political candidate.

A political party for purposes of this provision is defined in the same manner as elsewhere in the code with respect to debts owed to political parties (sec. 271). A political party for this purpose includes not only a political party itself, but also any committee of a political party, as well as any committee, association, or organization which accepts contributions or makes expenditures to influence elections of individuals seeking election to public office, whether or not they are elected. In addition, your committee has added language specifically to cover contributions to organizations set up to influence the selection of candidates through primaries, conventions, or otherwise, for election to public office. A political candidate for this purpose includes not only candidates for elective public office but also those who are seeking a nomination through a primary, local convention, or meeting of a political party. Amounts paid to an individual may be treated as inuring to the benefit of a political candidate only if such amounts may be used for the purpose of furthering his candidacy for elective public office. Thus, no proceeds received by a political candidate are treated as inuring to his benefit for these purposes if they are received in the ordinary course of a trade or business other than that of holding elective public office.

This provision is to apply for taxable years beginning after December 31, 1965, but only with respect to amounts paid after the date of enactment of this bill.

8. *Information returns to be supplied by Department of Agriculture—A provision added by your committee* (sec. 302 of the bill and sec. 6041(e) of the code)

Under present law persons engaged in a trade or business and making payments in the course of that trade or business to another person of certain specified types of income are required to supply information returns to the Internal Revenue Service with respect to all payments made in any year to an individual of \$600 or more. These information returns must also be supplied the Internal Revenue Service in the case of such payments made by the United States (or officers or employees of the United States). This includes payments by the Department of Agriculture with respect to Commodity Credit Corporation transactions, soil bank payments, etc.

Although these statements with respect to payments of more than \$600 a year must be supplied by the Department of Agriculture to the Internal Revenue Service, there is no requirement that copies of such statements must be furnished to the farmers receiving the payments. Such statements under present law are required to be furnished to the recipients of the payments in the case of interest and dividend payments of \$10 or more a year.

Your committee believes that farmers should have the same information with respect to the payments which are reported to the Government in their case as is true under present law in the case of the recipients of dividend and interest payments.

Your committee's bill for the reasons indicated above requires the Department of Agriculture, in the case of payments made under programs it administers, to supply the farmers with copies of any statements which under present law the Department of Agriculture must send to the Internal Revenue Service. These statements must be sent to the farmers by January 31, of the next year. The provision added by your committee also provides that these statements may be sent out as the Secretary of Agriculture may designate through the national office of the Department of Agriculture, any State office, or through local offices of the Department of Agriculture or any of its agencies.

This provision is to be effective with respect to reports sent to the Internal Revenue Service after the date of enactment of this bill.

V. TECHNICAL EXPLANATION OF THE BILL

TITLE I—ADJUSTMENT OF CERTAIN COLLECTION PROCEDURES

SECTION 101. INCOME TAX COLLECTED AT SOURCE

In general, section 101 of the bill amends section 3402 of the code (relating to income tax collected at source) to provide for new wage withholding rates which are graduated and take into account the minimum standard deduction and to provide new wage bracket withholding tables based upon the new rates. In addition, such section provides for withholding allowances, under certain circumstances, in the case of an employee who has a large amount of itemized deduc-

tions. Subsections (a), (b), (c), (d), (f), and (g) of section 101 of the bill as passed by the House have been approved by your committee without change.

Your committee has made changes in subsection (e) of section 101 of the bill which affect the procedures whereby taxpayers with relatively large itemized deductions in relation to their wages may claim withholding allowances in addition to the regular withholding exemptions. The changes made by your committee in respect of these withholding allowances are described below.

For the technical explanation of section 101 of the bill (other than the amendments made by your committee), see page 33 of the report of the Committee on Ways and Means on the bill.

Withholding allowances for itemized deductions.—Section 101(e) of the bill (as passed by the House) amends section 3402 of the code to provide that an employee shall be entitled to claim a withholding exemption for each withholding allowance to which he is entitled under section 3402(m) (added by the bill) and which is not claimed on a withholding exemption certificate in effect for his spouse. Under section 3402(m) as added by the bill as passed by the House, the number of withholding allowances to which an employee is entitled with respect to a payment of wages is equal to the number obtained by dividing by \$700 the excess of—

- (1) the employee's estimated itemized deductions, over,
- (2) an amount equal to the sum of 12 percent of the first \$7,500 of his estimated wages and 17 percent of the remainder of his estimated wages.

Such subsection also provided that fractional numbers are disregarded for purposes of determining the number of withholding allowances to which an employee is entitled under this new subsection; except that if the number obtained by applying the above formula is equal to one-half or more but less than one, the employee is entitled to one withholding allowance. Your committee has changed the formula for determining the number of withholding allowances to which an employee is entitled to provide that fractional numbers shall be disregarded in all cases; but that the percentage to be applied to the first \$7,500 of estimated wages is 10 (rather than 12) percent.

New section 3402(m)(2)(A) provides a definition of the term "estimated itemized deductions." Under the definition included in the bill as passed by the House, an employee's estimated itemized deductions could not be greater than the amount of the deductions (other than the deductions referred to in secs. 141 and 151 and other than the deductions required to be taken into account in determining adjusted gross income under sec. 62) shown on his Federal income tax return for the taxable year preceding the estimation year. Your committee has changed this provision to provide that if the employee did not show such deductions on his return for the such preceding taxable year (that is, if he took the standard deduction), the amount of his estimated itemized deductions shall not exceed an amount equal to the lesser of \$1,000 or 10 percent of the wages shown on such return.

New section 3402(m)(2)(C) defines the term "estimation year." Under this definition, as included in the bill as passed by the House, in the case of payments of wages on or after January 1 and before May 1 of any calendar year the term "estimation year" means the

preceding calendar year (or, if the employee has filed a Federal income tax return for the preceding calendar year and has in effect a withholding allowance under the new sec. 3402(m) based on using the current calendar year as the estimation year, such current calendar year is the estimation year). Your committee has made a technical change in this part of the definition to provide that the current calendar year shall be the "estimation year" with respect to any withholding allowances claimed on a withholding exemption certificate filed after the employee has filed his Federal income tax return for the preceding calendar year.

New section 3402(m)(3)(D), as included in the bill as passed by the House, provided that the Secretary of the Treasury or his delegate may by regulations provide that one or more of the withholding allowances to which an employee would, but for this provision, be entitled shall be denied because such employee's estimated wages are above the level at which the amounts deducted and withheld are generally sufficient to offset the liability for Federal income tax with respect to the wages from which such amounts are deducted and withheld. Your committee has made a technical amendment to this provision to make clear that the relationship between withholding and tax liability may be determined by taking into account a reasonable allowance for deductions and exemptions.

Section 3402(m)(3), as included in the bill as passed by the House, provided in subparagraph (E) that the Secretary of the Treasury or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under the new section 3402(m). This provision further provided that the tables could be based on reasonable wage and itemized deduction brackets. Your committee has revised this provision (and included it in a new par. (4) of sec. 3402(m)) to make clear that such tables shall be consistent with the provisions of new section 3402(m)(1) and (3) and to provide that such tables may, at the discretion of the Secretary of the Treasury or his delegate, increase or decrease the number of withholding allowances to which employees in the various wage and itemized deduction brackets would, but for this provision, be entitled, to the end that, to the extent practicable, amounts deducted and withheld (1) generally do not exceed the liability for Federal income tax with respect to the wages from which such amounts are deducted and withheld, and (2) generally are sufficient to offset such liability for tax. The new paragraph (4) also makes it clear that, if such tables are prescribed, the number of withholding allowances to which an employee is entitled under section 3402(m) will be determined under such tables in lieu of the computation prescribed by section 3402(m)(1) (relating to the general rule).

Section 101(e)(4) of the bill, as passed by the House, provides for a new civil penalty in new section 6682 of the code (relating to false information with respect to withholding allowances based on itemized deductions). The penalty applied if any individual in claiming a withholding allowance under new section 3402(f)(1)(F) of the code stated (1) that the wages on his income tax return for any taxable year were less than the wages actually shown, or (2) that the itemized deductions on his income tax return for any taxable year were greater than the deductions actually shown. Your committee has clarified this provision to provide that the penalty will apply if any individual

in claiming such a withholding allowance states (1) as the amount of the wages shown on his income tax return for any taxable year, an amount less than the wages actually shown, or (2) as the amount of the itemized deductions shown on his income tax return for any taxable year, an amount greater than the itemized deductions actually shown. In addition your committee has made a technical amendment to make it clear that an employee will be subject to only one \$50 penalty even though he misstates both the amount of his itemized deductions and wages.

SECTION 102. ESTIMATED TAX IN CASE OF INDIVIDUALS

This section has been approved by your committee except for a technical change which amends subsection (b)(1) of section 6211 (relating to definition of a deficiency) to take account, in the computation of a deficiency, of the inclusion of self-employment tax in the estimated tax. For the technical explanation of this section of the bill see page 40 of the report of the Committee on Ways and Means on the bill.

SECTION 103. UNDERPAYMENT OF INSTALLMENTS OF ESTIMATED INCOME TAX IN CASE OF INDIVIDUALS

This section has been approved by your committee without change. For the technical explanation of this section of the bill see page 45 of the report of the Committee on Ways and Means on the bill.

SECTION 104. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS

This section has been approved by your committee without change. For the technical explanation of this section of the bill see page 45 of the report of the Committee on Ways and Means on the bill.

TITLE II—POSTPONEMENT OF CERTAIN EXCISE TAX RATE REDUCTIONS

SECTION 201. PASSENGER AUTOMOBILES

Section 201 of the bill, as passed by the House, has been approved by your committee with two modifications. For the technical explanation of this section of the bill (other than the amendments made by your committee), see the report of the Committee on Ways and Means starting at page 46.

Your committee has deleted subsections (b) and (c)(2) of section 201 of the bill, as passed by the House, which related to the amendment of section 4226 of the code (relating to floor stocks taxes) to impose a floor stocks tax of 1 percent on each passenger automobile¹ which was subject to tax under section 4061(a)(2) and which was held by a dealer, has not been used, and is intended for sale on the day after the bill is enacted.

¹ Includes trailers (other than house trailers) suitable for use with passenger automobiles.

SECTION 202. COMMUNICATION SERVICES

This section has been approved by your committee without change. For the technical explanation of this section of the bill, see page 47 of the report of the Committee on Ways and Means on the bill.

TITLE III—MISCELLANEOUS PROVISIONS

SECTION 301. DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES

Section 301 of the bill, which is a new section added to the bill as passed by the House, relates to the disallowance of deductions for certain indirect contributions to political parties.

(a) *Disallowance of deduction.*—Subsection (a) of section 301 of the bill amends part IX of subchapter B of chapter 1 (relating to items not deductible) of the Internal Revenue Code of 1954 by inserting a new section 276.

SECTION 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES

Subsection (a) (1) of section 276 provides, in part, that no deduction will be allowed for any amount paid or incurred for advertising in a convention program of a political party (as defined in subsec. (b) (1) of sec. 276). This rule applies whether the convention program is published by a political party or by any other person, entity, or organization and whether the advertising revenues therefrom are received by or payable to a political party or any other person, entity, or organization. Thus, for example, no deduction is allowed for advertising in the program of a convention of a political party even if the program is published by a corporation engaged in the business of publishing such programs for profit and that corporation retains all the proceeds of such program and even if there is no showing that the corporation paid for such right.

Subsection (a)(1) of section 276 also provides that no deduction will be allowed for amounts paid or incurred for advertising in any other publication, if any part of the proceeds thereof directly or indirectly inures (or are intended to inure) to or for the use of a political party or political candidate. (Subsec. (b)(2) describes the circumstances under which proceeds shall be treated as inuring to or for the use of a political candidate.) Thus, no deduction is allowed for such advertising expense even if the publication is published at a loss (that is, the proceeds derived from the publication are insufficient to meet the expenses attributable thereto) if, had there been a profit, any part of the proceeds would have inured to or for the use of a political party or a political candidate. A deduction will not be allowed where the proceeds, or any part thereof, indirectly inure to or for the use of a political party or a political candidate. For example, if a local host committee agrees to make a payment to a political party or a political candidate for the purpose of bringing a political convention to a certain locale, and in consideration therefor secures the right to publish a book or pamphlet in connection with such convention and to retain the advertising revenues derived therefrom, amounts paid or incurred for advertising in such publication are not deductible. However, this is not intended

to change the rule of present law as to the treatment of direct contributions of persons engaged in a trade or business in a locality to a committee organized for the purpose of bringing a political convention to such locality, if such contributions are made with a reasonable expectation of a financial return commensurate with the amount of the contribution. (See Rev. Rul. 55-265, C. B. 1955-1, 22.)

If any part of the proceeds of a publication (whether or not published in connection with a political convention) inures to a political party or a political candidate, deductions for advertising in such publication will not be allowed regardless of the purposes for which such proceeds are utilized or expended by such party or candidate. Thus, for example, no deduction will be allowed for advertising in a publication, the proceeds of which are used by a political party for purposes other than those directly related to the election of a candidate to a public office (such as permanent office rent, salaries of permanent employees, and voter registration or education programs).

Subsection (a)(2) of section 276 provides that no deduction will be allowed for any amount paid or incurred for admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate. Amounts paid for admission to a dinner or program include all charges, whether direct or indirect, for attendance and participation at such dinner or program. (A similar rule applies for admissions to which subsec. (a)(3) is applicable.) Thus, for example, any separate charge for food or drink at such dinner or program is an amount paid for admission. The term "dinner or program" includes, but is not limited to, such events as galas, dances, theatrical or film presentations, cocktail parties, picnics, and sporting events. As in the case of advertising expenses described in subsection (a)(1), the provisions of subsection (a)(2) apply regardless of whether the dinner or program operated at a profit or a loss, and without regard to the purposes for which such proceeds are utilized or expended by such a party or candidate.

Subsection (a)(3) of section 276 provides that no deduction will be allowed for any amount paid or incurred for admission to an inaugural ball, gala, parade, or concert, or to any similar event if such event is identified with a political party or political candidate. No deduction is allowed for admission to such inaugural events regardless of the sponsorship thereof or the disposition of the proceeds and regardless of whether the inaugural celebrated is of a Federal, State, or local official. Thus, for example, the cost of attending an inaugural ball sponsored by a nonpartisan or bipartisan committee or organization is not deductible even if the proceeds are used only to defray the expenses of such ball or similar event. The term "similar event" as used in subsection (a)(3) includes, but is not limited to, such events as dances, theatrical or film presentations, cocktail parties, and sporting events.

Subsection (b)(1) of section 276 defines the term "political party" as used in section 276, to mean a political party as commonly understood; a National, State, or local committee of a political party; or a committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any elective

public office, or the election of presidential and vice presidential electors, whether or not such individual or electors are selected, nominated, or elected. Thus, for purposes of section 276, a political party includes a committee or other group which seeks to promote the nomination of an individual for an elective public office in a primary election, or in any convention, meeting, or caucus of a political party. A committee, or other group, is considered to be a political party, if, although it does not itself expend any funds, it turns funds over to another person or organization, which does expend funds for such purpose.

Subsection (b)(2) describes the circumstances under which proceeds derived from advertising in publications, or from a dinner or program, are considered as inuring to or for the use of a political candidate. Such proceeds are deemed to inure to or for the use of such a candidate only if they may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and if such proceeds are not received by the candidate in the ordinary course of his trade or business, other than the trade or business of holding a public office. Thus, for example, if a newspaper publisher is a candidate for public office, advertising in his regularly-published commercial newspaper is not affected by this section merely because such publisher uses the profits from his newspaper to further his campaign.

(a) Subsection (c) of section 276 provides a cross-reference to section 274 (relating to disallowance of certain entertainment, etc., expenses). The provisions of section 276 are in addition to, and not in substitution for, the rules provided in section 274.

(b) *Clerical amendment.*—Subsection (b) of section 301 of the bill makes a clerical amendment to add to the table of sections of part IX of subchapter B of chapter 1, a reference to section 276.

(c) *Effective date.*—Under subsection (c) of section 301 of the bill, the amendments made by subsections (a) and (b) of section 301 of the bill will apply to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of enactment of the bill.

SECTION 302. INFORMATION RETURNS MADE BY DEPARTMENT OF AGRICULTURE

Section 302 of the bill, which is a new section added to the bill as passed by the House relates to information returns furnished by the Department of Agriculture with respect to payments under programs administered by that Department.

(a) *Filing by Secretary of Agriculture or designees.*—Subsection (a) of section 302 of the bill amends section 6041 of the code (relating to information at source) by adding a new subsection (e). Paragraph (1) of the new subsection (e) provides that information returns which are required under section 6041(a) with respect to payments under programs administered by the Department of Agriculture are to be rendered by the Secretary of Agriculture or by one or more officers or employees of the Department of Agriculture designated by the Secretary of Agriculture to make such returns on his behalf. Under existing section 6041, such returns are required to be rendered by the officers or employees having information as to the payments and required to do so under regulations.

Paragraph (2) of the new subsection (e) provides that the Secretary of Agriculture, or the officer or employee of the Department of Agriculture designated by him to render any information return to which the new subsection (e)(1) applies, shall furnish to each person whose name is set forth in such return a written statement showing the aggregate amount of payments to the person as shown on such return. This statement is to be furnished to the person on or before January 31 of the year following the calendar year for which the return was made.

(b) *Effective date.*—Subsection (b) of section 302 of the bill provides that the provisions of the new subsection (e) of the section 6041 shall apply with respect to information returns made after the date of the enactment of the bill.

VI. CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

VII. SUPPLEMENTAL VIEWS OF SENATOR ALBERT GORE

This bill, H.R. 12752, is designed to help finance the increasing costs of Government during the next 2 years. By raising additional revenue it will decrease the budget deficit and lessen the amount by which the public debt would otherwise be increased. Some assistance in controlling a nascent inflation should be provided.

Although several provisions of the bill are meritorious, it is poorly designed in certain respects and in all likelihood will prove quite inadequate. Some reenforcement of fiscal policy ought to be provided now, by raising more revenue than this bill will provide, and by placing the increased revenue burden where it will do the most to dampen demand in areas where such demand most clearly threatens price stability.

Oddly, the two most important provisions of the bill, from a revenue standpoint, represent in one instance a speedup of a schedule already adopted by the Congress—for getting corporation tax payments more nearly current—and in the other a complete reversal of a previously adopted congressional schedule for ridding the consumer of two onerous excises. I support the previously established congressional policy in both instances, to place corporation taxes on a current basis, and to eliminate excise taxes. I oppose the proposed reversal of congressional policy with respect to excises.

Since more revenue is needed, and since an increase in excise taxes is regressive in nature, Congress should raise more revenue and do so in a more equitable manner. Suspension of the investment tax credit as a substitute for the proposed excise tax increases would serve both purposes. This would have the additional advantage of selectively dampening demand in an area which seriously threatens to create inflationary pressures.

Suspension of the investment credit, together with a modification of the use of existing carryovers, will produce as much revenue as would the reimposition of the excise taxes on automobiles and on

telephone service. Suspension of the credit would add \$80 million to revenues in the current fiscal year, while raising excises to their pre-January level would produce only an additional \$65 million. In fiscal 1967, it is estimated that \$1.2 billion would be raised by either procedure, while in fiscal 1968 the investment credit suspension would add \$1.9 billion and the excises only \$1.5 billion.

So long as the revenues are this close, then, the choice would hinge on the overall economic effects, as well as on equity considerations.

The present outlook for expenditures on fixed investment clearly raises the threat of inflationary pressures in that sector of the economy. Fixed investment in 1965 was 10.3 percent of gross national product, about the same as it was during the investment boom of 1956 and 1957. The rate of investment at that time could not be sustained and neither can the current rate.

In 1965, investment in plant and equipment increased 15.4 percent over 1964. Recent surveys show an expected increase in 1966 of 15 percent or more over 1965, and surveys taken at this time of year generally underestimate final expenditures. Extending these projections into 1966, we will have by the end of this calendar year a fixed investment expenditure amounting to some 11 percent of gross national product. This is well above the noninflationary level of 10 percent for a full employment economy.

Obviously, in the interest of orderly growth and to avoid inflationary pressures in an important sector of the economy, expenditures for fixed investment should be slowed. Expenditures should not be halted, but marginal projects should be postponed. Suspension of the credit will not halt projects clearly warranted by demand. It would remove this element of artificial stimulation in our economy.

The Finance Committee report on the 1962 Revenue Act, when the investment credit was instituted, gave three specific reasons for the credit:

1. The investment credit would "stimulate investment * * * by reducing the net cost of acquiring depreciable assets, which in turn increases the rate of return after taxes arising from their acquisition."
2. The investment credit "by increasing the flow of cash available for investment, will stimulate investment."
3. The investment credit "can be expected to stimulate investments through a reduction in the "payoff" period for investment in a particular asset."

The same arguments—in reverse—could now be used to justify suspending the investment credit.

Given current conditions, the artificial stimulation to expenditures for fixed investment should be cut off. The investment credit should be suspended until such time as conditions warrant a return to stimulation.

Another fact which is particularly pertinent today is that production of equipment for fixed investment competes with production of hard goods for defense purposes. This is particularly true with respect to highly skilled manpower, in which there is already a shortage. Continued artificial stimulation of plant and equipment expenditures can only result in bidding up the price of scarce materials, facilities, and manpower needed for defense production, thus setting off a ripple of inflation which might well become a powerful wave carrying all before it.

Looking at restraints already at work through Government action, one is struck by the tight money policy enforced by the Federal Reserve Board. However one may view this monetary policy, fiscal policy must work with and not against it. In this instance, the suspension of the investment credit will reenforce the tight money policy of the Federal Reserve Board. On the other hand, a tax policy which works counter to it, will but give an excuse to the money managers to tighten the screws even harder, thus giving rise to further undesirable distortions which we have witnessed in the past when monetary policy was misguided.

Little need be said here to support the substitution of this credit suspension for the increase in excises on automobiles and telephone service from the standpoint of equity. The excises bear directly on the consumer and is recognized as a regressive tax. Furthermore, the excise tax increases in this bill affect only one commodity and one service. It is difficult to justify singling them out, particularly when they are virtual necessities. Suspension of the investment credit will work no hardship on any particular group and its effects will be spread broadly, particularly across the corporate sector.

Responsible economists are now expressing concern about the possibility of inflation. It is felt by many that substantial tax increases are needed, and now. In the absence of a general tax increase now, selective tax changes in areas where both economic and equity objectives can be furthered would certainly be in order. Suspension of the investment credit is surely one of the most obvious places to begin.

VIII. SUPPLEMENTAL VIEWS OF SENATOR VANCE HARTKE ON H.R. 12752

Only a few months ago the Treasury Department told us that cuts in excise taxes were desirable for a vibrant economy. Administration spokesmen assured us at that time that the war in Vietnam could best be financed by an expanding and virile economy.

A scant few weeks ago the Treasury Department informed us that certain excise tax cuts, which had already gone into effect, had to be reinstated to finance an escalated war in southeast Asia. Yet, when questioned by the Finance Committee members, the Secretary of the Treasury was unable to tell us what the total needs were for financing the war in the coming months, even though there are strong indications that this will be a long and costly war.

If excise tax cuts were a good idea last summer, they are a good idea now.

It is not fiscally responsible to ask the Congress to reinstate excise taxes providing only \$1.2 billion when the war, at present, is costing \$10 billion a year. We should not attempt piecemeal, one-shot, stop-gap solutions designed only to raise revenue in a hurry, when what we need is a sound, logical plan to finance this war. Because of this rushed approach, the reimposition of excise taxes, which are admittedly regressive, ask needless selective sacrifices of the American people.

Therefore, I am opposed to the reimposition of excise taxes on telephone service and automobiles.



Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

[Report No. 1010]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1966

Read twice and referred to the Committee on Finance

MARCH 2, 1966

Reported by Mr. LONG of Louisiana, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

7 TITLE I—ADJUSTMENT OF CERTAIN COLLECTION
8 PROCEDURES

9 SECTION 101. INCOME TAX COLLECTED AT SOURCE.

10 (a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
11 section (a) of section 3402 (relating to requirement of
12 withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

1 plied by the amount of one such exemption as shown in the
 2 table in subsection (b) (1) :

**“Table 1—If the payroll period with respect to an employee is
 WEEKLY**

3 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

4 **“(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

**“Table 2—If the payroll period with respect to an employee is
 BIWEEKLY**

5 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
\$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is
SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

**“Table 4—If the payroll period with respect to an employee is
MONTHLY**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

**“Table 5—If the payroll period with respect to an employee is
QUARTERLY**

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

**“Table 6—If the payroll period with respect to an employee is
SEMIANNUAL**

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

**“Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800---	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000---	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

2 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$4,400---	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800--	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

**“Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 “(a) Single Person—Including Head of Household:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10-----	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10--	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

1 “(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is: The amount of income tax to be withheld shall be:

Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30-----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50---	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30---	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-

3 graph (1) of section 3402 (b) (relating to percentage

4 method withholding table) is amended by striking out the

5 table set forth therein and inserting the following table in

6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)

8 of section 3402 (c) (relating to wage bracket withholding)

1 is amended by striking out the tables set forth therein and
 2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$4.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4.....	\$5.....	.10	0	0	0	0	0	0	0	0	0	0
\$5.....	\$6.....	.20	0	0	0	0	0	0	0	0	0	0
\$6.....	\$7.....	.40	0	0	0	0	0	0	0	0	0	0
\$7.....	\$8.....	.50	0	0	0	0	0	0	0	0	0	0
\$8.....	\$9.....	.70	0	0	0	0	0	0	0	0	0	0
\$9.....	\$10.....	.80	0	0	0	0	0	0	0	0	0	0
\$10.....	\$11.....	.90	0	0	0	0	0	0	0	0	0	0
\$11.....	\$12.....	1.10	0	0	0	0	0	0	0	0	0	0
\$12.....	\$13.....	1.20	0	0	0	0	0	0	0	0	0	0
\$13.....	\$14.....	1.40	0	0	0	0	0	0	0	0	0	0
\$14.....	\$15.....	1.50	0	0	0	0	0	0	0	0	0	0
\$15.....	\$16.....	1.70	0	0	0	0	0	0	0	0	0	0
\$16.....	\$17.....	1.80	0	0	0	0	0	0	0	0	0	0
\$17.....	\$18.....	2.00	0	0	0	0	0	0	0	0	0	0
\$18.....	\$19.....	.20	0	0	0	0	0	0	0	0	0	0
\$19.....	\$20.....	.30	0	0	0	0	0	0	0	0	0	0
\$20.....	\$21.....	.40	0	0	0	0	0	0	0	0	0	0
\$21.....	\$22.....	.60	0	0	0	0	0	0	0	0	0	0
\$22.....	\$23.....	.70	0	0	0	0	0	0	0	0	0	0
\$23.....	\$24.....	.90	0	0	0	0	0	0	0	0	0	0
\$24.....	\$25.....	1.00	0	0	0	0	0	0	0	0	0	0
\$25.....	\$26.....	1.10	0	0	0	0	0	0	0	0	0	0
\$26.....	\$27.....	1.30	0	0	0	0	0	0	0	0	0	0
\$27.....	\$28.....	1.40	0	0	0	0	0	0	0	0	0	0
\$28.....	\$29.....	1.60	0	0	0	0	0	0	0	0	0	0
\$29.....	\$30.....	1.70	0	0	0	0	0	0	0	0	0	0
\$30.....	\$31.....	1.90	0	0	0	0	0	0	0	0	0	0
\$31.....	\$32.....	2.00	.10	0	0	0	0	0	0	0	0	0
\$32.....	\$33.....	2.20	.20	0	0	0	0	0	0	0	0	0
\$33.....	\$34.....	2.30	.40	0	0	0	0	0	0	0	0	0
\$34.....	\$35.....	2.50	.50	0	0	0	0	0	0	0	0	0
\$35.....	\$36.....	2.60	.70	0	0	0	0	0	0	0	0	0
\$36.....	\$37.....	2.80	.80	0	0	0	0	0	0	0	0	0
\$37.....	\$38.....	3.00	.90	0	0	0	0	0	0	0	0	0
\$38.....	\$39.....	3.10	1.10	0	0	0	0	0	0	0	0	0
\$39.....	\$40.....	3.30	1.20	0	0	0	0	0	0	0	0	0
\$40.....	\$41.....	3.50	1.40	0	0	0	0	0	0	0	0	0
\$41.....	\$42.....	3.60	1.50	0	0	0	0	0	0	0	0	0
\$42.....	\$43.....	3.80	1.70	0	0	0	0	0	0	0	0	0
\$43.....	\$44.....	4.00	1.80	0	0	0	0	0	0	0	0	0
\$44.....	\$45.....	4.10	2.00	0	0	0	0	0	0	0	0	0
\$45.....	\$46.....	4.30	2.10	.20	0	0	0	0	0	0	0	0
\$46.....	\$47.....	4.50	2.30	.30	0	0	0	0	0	0	0	0
\$47.....	\$48.....	4.70	2.40	.60	0	0	0	0	0	0	0	0
\$48.....	\$49.....	4.80	2.60	.60	0	0	0	0	0	0	0	0
\$49.....	\$50.....	5.00	2.70	.70	0	0	0	0	0	0	0	0
\$50.....	\$51.....	5.20	2.90	.90	0	0	0	0	0	0	0	0
\$51.....	\$52.....	5.30	3.00	1.00	0	0	0	0	0	0	0	0
\$52.....	\$53.....	5.50	3.20	1.20	0	0	0	0	0	0	0	0
\$53.....	\$54.....	5.70	3.40	1.30	0	0	0	0	0	0	0	0
\$54.....	\$55.....	5.80	3.60	1.40	0	0	0	0	0	0	0	0
\$55.....	\$56.....	6.00	3.70	1.60	0	0	0	0	0	0	0	0
\$56.....	\$57.....	6.20	3.90	1.70	0	0	0	0	0	0	0	0
\$57.....	\$58.....	6.40	4.10	1.90	0	0	0	0	0	0	0	0
\$58.....	\$59.....	6.50	4.20	2.00	.10	0	0	0	0	0	0	0
\$59.....	\$60.....	6.70	4.40	2.20	.30	0	0	0	0	0	0	0
\$60.....	\$62.....	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$62.....	\$64.....	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$64.....	\$66.....	7.60	5.30	3.10	1.00	0	0	0	0	0	0	0
\$66.....	\$68.....	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$68.....	\$70.....	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$70.....	\$72.....	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$72.....	\$74.....	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$74.....	\$76.....	9.30	7.00	4.80	2.50	.50	0	0	0	0	0	0
\$76.....	\$78.....	9.70	7.40	5.10	2.80	.80	0	0	0	0	0	0
\$78.....	\$80.....	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0	0
\$80.....	\$82.....	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0	0
\$82.....	\$84.....	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0	0
\$84.....	\$86.....	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0	0
\$86.....	\$88.....	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0	0
\$88.....	\$90.....	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0	0
\$90.....	\$92.....	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0	0
\$92.....	\$94.....	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0	0
\$94.....	\$96.....	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0	0
\$96.....	\$98.....	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0	0

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98.....	\$100.....	\$16.10	\$13.40	\$11.10	\$8.80	\$6.50	\$4.30	\$2.10	\$1.10	\$0	\$0	\$0
\$100.....	\$105.....	16.80	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0
\$105.....	\$110.....	17.80	15.10	12.60	10.30	8.00	5.70	3.40	1.30	0	0	0
\$110.....	\$115.....	18.80	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0
\$115.....	\$120.....	19.80	17.10	14.40	12.00	9.70	7.40	5.10	2.80	.80	0	0
\$120.....	\$125.....	20.80	18.10	15.40	12.80	10.50	8.20	6.00	3.70	1.50	0	0
\$125.....	\$130.....	21.80	19.10	16.40	13.80	11.40	9.10	6.80	4.50	2.30	.40	0
\$130.....	\$135.....	22.80	20.10	17.40	14.80	12.20	9.90	7.70	5.40	3.10	1.10	0
\$135.....	\$140.....	23.80	21.10	18.40	15.80	13.10	10.80	8.50	6.20	3.90	1.80	0
\$140.....	\$145.....	24.80	22.10	19.40	16.80	14.10	11.60	9.40	7.10	4.80	2.50	.60
\$145.....	\$150.....	25.80	23.10	20.40	17.80	15.10	12.50	10.20	7.90	5.60	3.30	1.30
\$150.....	\$160.....	27.30	24.60	21.90	19.30	16.60	13.90	11.50	9.20	6.90	4.60	2.40
\$160.....	\$170.....	29.30	26.60	23.90	21.30	18.60	15.90	13.20	10.90	8.60	6.30	4.00
\$170.....	\$180.....	31.60	28.60	25.90	23.30	20.60	17.90	15.20	12.60	10.30	8.00	5.70
\$180.....	\$190.....	34.10	30.80	27.90	25.30	22.60	19.90	17.20	14.50	12.00	9.70	7.40
\$190.....	\$200.....	36.60	33.30	29.90	27.30	24.60	21.90	19.20	16.50	13.80	11.40	9.10
\$200.....	\$210.....	39.10	35.80	32.40	29.30	26.60	23.90	21.20	18.50	15.80	13.10	10.80
\$210.....	\$220.....	41.80	38.30	34.90	31.50	28.60	25.90	23.20	20.50	17.80	15.10	12.50
\$220.....	\$230.....	44.80	40.80	37.40	34.00	30.70	27.90	25.20	22.50	19.80	17.10	14.40
\$230.....	\$240.....	47.80	43.80	39.90	36.50	33.20	29.90	27.20	24.50	21.80	19.10	16.40
\$240.....	\$250.....	50.80	46.80	42.70	39.00	35.70	32.30	29.20	26.50	23.80	21.10	18.40
\$250.....	\$260.....	53.80	49.80	45.70	41.70	38.20	34.80	31.40	28.50	25.80	23.10	20.40
\$260.....	\$270.....	56.80	52.80	48.70	44.70	40.70	37.30	33.90	30.60	27.80	25.10	22.40
\$270.....	\$280.....	59.80	55.80	51.70	47.70	43.60	39.80	36.40	33.10	29.80	27.10	24.40
\$280.....	\$290.....	62.80	58.80	54.70	50.70	46.60	42.60	38.90	35.60	32.20	29.10	26.40
\$290.....	\$300.....	65.80	61.80	57.70	53.70	49.60	45.60	41.60	38.10	34.70	31.30	28.40
\$300.....	\$310.....	68.80	64.80	60.70	56.70	52.60	48.60	44.60	40.60	37.20	33.80	30.50
\$310.....	\$320.....	71.80	67.80	63.70	59.70	55.60	51.60	47.60	43.50	39.70	36.30	33.00
\$320.....	\$330.....	74.80	70.80	66.70	62.70	58.60	54.60	50.60	46.50	42.50	38.80	35.50
\$330.....	\$340.....	77.80	73.80	69.70	65.70	61.60	57.60	53.60	49.50	45.50	41.40	38.00
\$340.....	\$350.....	80.80	76.80	72.70	68.70	64.60	60.60	56.60	52.50	48.50	44.40	40.50
\$350.....	\$360.....	83.80	79.80	75.70	71.70	67.60	63.60	59.60	55.50	51.50	47.40	43.40
30 percent of the excess over \$360 plus—												
\$360 and over....		85.30	81.30	77.20	73.20	69.10	65.10	61.10	57.00	53.00	48.90	44.90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$62	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$64	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$66	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$68	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$70	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$72	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$74	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$76	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$78	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$80	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$82	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$84	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$86	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$88	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$90	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$92	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$94	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$96	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$98	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$100	\$105	15.00	12.70	10.60	8.60	6.60	4.50	2.50	.60	0	0	0
\$105	\$110	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$110	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$115	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$120	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0
\$125	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$130	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$135	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.76	5.70	3.70	1.80	0

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140.....	\$145....	\$21.80	\$19.50	\$17.20	\$14.90	\$12.60	\$10.50	\$8.50	\$6.50	\$4.50	\$2.50	\$.60
\$145.....	\$150....	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30
\$150.....	\$160....	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30
\$160.....	\$170....	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80
\$170.....	\$180....	27.60	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30
\$180.....	\$190....	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80
\$190.....	\$200....	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30
\$200.....	\$210....	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80
\$210.....	\$220....	35.60	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30
\$220.....	\$230....	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90
\$230.....	\$240....	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60
\$240.....	\$250....	41.60	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30
\$250.....	\$260....	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00
\$260.....	\$270....	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70
\$270.....	\$280....	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40
\$280.....	\$290....	49.60	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10
\$290.....	\$300....	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80
\$300.....	\$310....	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50
\$310.....	\$320....	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50
\$320.....	\$330....	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50
\$330.....	\$340....	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50
\$340.....	\$350....	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50
\$350.....	\$360....	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50
\$360.....	\$370....	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50
\$370.....	\$380....	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50
\$380.....	\$390....	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50
\$390.....	\$400....	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50
\$400.....	\$410....	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50
\$410.....	\$420....	79.20	75.80	72.50	69.10	65.70	62.40	59.30	56.60	53.90	51.20	48.50
\$420.....	\$430....	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50
\$430.....	\$440....	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50
\$440.....	\$450....	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50
\$450.....	\$460....	90.80	86.80	82.70	79.10	75.70	72.40	69.00	65.60	62.30	59.20	56.50
\$460.....	\$470....	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50
\$470.....	\$480....	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50
\$480.....	\$490....	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00
\$490.....	\$500....	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50
\$500.....	\$510....	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00
\$510.....	\$520....	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50
\$520.....	\$530....	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00
\$530.....	\$540....	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50
\$540.....	\$550....	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00
\$550.....	\$560....	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50
\$560.....	\$570....	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40
30 percent of the excess over \$570 plus—												
\$570 and over....		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$80	\$82	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$102	\$104	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$104	\$106	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106	\$108	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108	\$110	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110	\$112	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112	\$114	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114	\$116	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116	\$118	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118	\$120	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120	\$124	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$124	\$128	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$128	\$132	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$132	\$136	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$136	\$140	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$140	\$144	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$144	\$148	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$148	\$152	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$152	\$156	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$156	\$160	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$160	\$164	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$164	\$168	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$168	\$172	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$172	\$176	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$176	\$180	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$180	\$184	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$184	\$188	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$188	\$192	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$192	\$196	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$196	\$200	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$200	\$210	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$210	\$220	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$220	\$230	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$230	\$240	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$240	\$250	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$250	\$260	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$260	\$270	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$270	\$280	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$280-----	\$290----	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290-----	\$300----	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300-----	\$320----	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320-----	\$340----	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340-----	\$360----	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360-----	\$380----	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380-----	\$400----	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400-----	\$420----	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420-----	\$440----	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440-----	\$460----	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460-----	\$480----	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480-----	\$500----	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500-----	\$520----	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520-----	\$540----	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540-----	\$560----	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560-----	\$580----	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580-----	\$600----	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600-----	\$620----	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620-----	\$640----	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640-----	\$660----	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660-----	\$680----	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680-----	\$700----	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700-----	\$720----	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
		30 percent of the excess over \$720 plus—										
\$720 and over...		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	.20	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.50	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	1.00	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.30	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.60	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.90	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.40	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.70	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	3.00	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.30	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.80	.10	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.10	.30	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.40	.60	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.70	.90	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68.....	\$70.....	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72.....	\$74.....	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74.....	\$76.....	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78.....	\$80.....	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80.....	\$82.....	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82.....	\$84.....	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84.....	\$86.....	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86.....	\$88.....	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88.....	\$90.....	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90.....	\$92.....	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92.....	\$94.....	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94.....	\$96.....	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96.....	\$98.....	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98.....	\$100.....	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100.....	\$102.....	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102.....	\$104.....	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104.....	\$106.....	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106.....	\$108.....	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108.....	\$110.....	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110.....	\$112.....	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112.....	\$114.....	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114.....	\$116.....	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116.....	\$118.....	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118.....	\$120.....	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120.....	\$122.....	16.60	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$122.....	\$124.....	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$124.....	\$126.....	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$126.....	\$128.....	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$128.....	\$130.....	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$130.....	\$132.....	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$132.....	\$134.....	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$134.....	\$136.....	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$136.....	\$138.....	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$138.....	\$140.....	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$140.....	\$142.....	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$142.....	\$144.....	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$144.....	\$146.....	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$146.....	\$148.....	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$148.....	\$150.....	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$150.....	\$152.....	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$152.....	\$154.....	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$154.....	\$156.....	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$156.....	\$158.....	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$158.....	\$160.....	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$160.....	\$162.....	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$162.....	\$164.....	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$164.....	\$166.....	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$166.....	\$168.....	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$168.....	\$170.....	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$170.....	\$172.....	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260	\$270	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270	\$280	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280	\$290	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290	\$300	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300	\$320	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320	\$340	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340	\$360	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360	\$380	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380	\$400	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400	\$420	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420	\$440	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440	\$460	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460	\$480	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480	\$500	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500	\$520	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520	\$540	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540	\$560	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560	\$580	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580	\$600	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600	\$620	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620	\$640	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640	\$660	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660	\$680	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680	\$700	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700	\$720	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720	\$740	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740	\$760	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760	\$780	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780	\$800	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800	\$820	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820	\$840	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840	\$860	163.40	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860	\$880	169.40	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880	\$900	175.40	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900	\$920	181.40	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920	\$940	187.40	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940	\$960	193.40	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960	\$980	199.40	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980	\$1,000	205.40	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000	\$1,020	211.40	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020	\$1,040	217.40	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040	\$1,060	223.40	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060	\$1,080	229.40	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080	\$1,100	235.40	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100	\$1,120	241.40	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120	\$1,140	247.40	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$8-----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8-----	\$10-----	.10	0	0	0	0	0	0	0	0	0	0
\$10-----	\$12-----	.40	0	0	0	0	0	0	0	0	0	0
\$12-----	\$14-----	.70	0	0	0	0	0	0	0	0	0	0
\$14-----	\$16-----	.90	0	0	0	0	0	0	0	0	0	0
\$16-----	\$18-----	1.20	0	0	0	0	0	0	0	0	0	0
\$18-----	\$20-----	1.50	0	0	0	0	0	0	0	0	0	0
\$20-----	\$22-----	1.80	0	0	0	0	0	0	0	0	0	0
\$22-----	\$24-----	2.10	0	0	0	0	0	0	0	0	0	0
\$24-----	\$26-----	2.30	0	0	0	0	0	0	0	0	0	0
\$26-----	\$28-----	2.60	0	0	0	0	0	0	0	0	0	0
\$28-----	\$30-----	2.90	0	0	0	0	0	0	0	0	0	0
\$30-----	\$32-----	3.20	0	0	0	0	0	0	0	0	0	0
\$32-----	\$34-----	3.50	0	0	0	0	0	0	0	0	0	0
\$34-----	\$36-----	3.80	0	0	0	0	0	0	0	0	0	0
\$36-----	\$38-----	4.10	0	0	0	0	0	0	0	0	0	0
\$38-----	\$40-----	4.40	.20	0	0	0	0	0	0	0	0	0
\$40-----	\$42-----	4.70	.50	0	0	0	0	0	0	0	0	0
\$42-----	\$44-----	5.00	.80	0	0	0	0	0	0	0	0	0
\$44-----	\$46-----	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46-----	\$48-----	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48-----	\$50-----	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50-----	\$52-----	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52-----	\$54-----	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54-----	\$56-----	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56-----	\$58-----	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58-----	\$60-----	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60-----	\$62-----	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62-----	\$64-----	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64-----	\$66-----	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66-----	\$68-----	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68-----	\$70-----	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70-----	\$72-----	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72-----	\$74-----	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74-----	\$76-----	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76-----	\$78-----	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78-----	\$80-----	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80-----	\$82-----	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82-----	\$84-----	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84-----	\$86-----	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86-----	\$88-----	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88-----	\$90-----	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90-----	\$92-----	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92-----	\$94-----	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94-----	\$96-----	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96-----	\$98-----	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98-----	\$100-----	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100-----	\$102-----	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102-----	\$104-----	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104-----	\$106-----	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106-----	\$108-----	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108-----	\$110-----	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110-----	\$112-----	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112-----	\$114-----	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114-----	\$116-----	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116-----	\$118-----	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118-----	\$120-----	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120-----	\$124-----	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124-----	\$128-----	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128-----	\$132-----	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132-----	\$136-----	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136-----	\$140-----	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140-----	\$144-----	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144-----	\$148-----	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148-----	\$152-----	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152-----	\$156-----	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156-----	\$160-----	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160-----	\$164-----	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164-----	\$168-----	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168-----	\$172-----	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172-----	\$176-----	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176-----	\$180-----	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180-----	\$184-----	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184-----	\$188-----	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188-----	\$192-----	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192-----	\$196-----	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196-----	\$200-----	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200-----	\$210-----	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$210-----	\$220-----	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$220-----	\$230-----	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$230-----	\$240-----	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$240-----	\$250-----	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$250-----	\$260-----	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260----	\$270----	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270----	\$280----	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280----	\$290----	49.00	43.20	37.40	31.50	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290----	\$300----	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300----	\$320----	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320----	\$340----	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340----	\$360----	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360----	\$380----	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380----	\$400----	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400----	\$420----	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420----	\$440----	81.20	73.90	66.60	60.50	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440----	\$460----	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460----	\$480----	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480----	\$500----	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500----	\$520----	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520----	\$540----	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540----	\$560----	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560----	\$580----	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580----	\$600----	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600----	\$620----	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620----	\$640----	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640----	\$660----	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660----	\$680----	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680----	\$700----	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700----	\$720----	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.30
\$720----	\$740----	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740----	\$760----	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.50	97.00	88.30
30 percent of the excess over \$760 plus—												
\$760 and over---		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.70	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.00	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.30	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.60	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	4.90	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72.....	\$74.....	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74.....	\$76.....	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76.....	\$78.....	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$78.....	\$80.....	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80.....	\$82.....	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82.....	\$84.....	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84.....	\$86.....	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86.....	\$88.....	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88.....	\$90.....	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90.....	\$92.....	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92.....	\$94.....	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94.....	\$96.....	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96.....	\$98.....	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98.....	\$100.....	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100.....	\$102.....	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102.....	\$104.....	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104.....	\$106.....	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106.....	\$108.....	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108.....	\$110.....	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110.....	\$112.....	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112.....	\$114.....	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114.....	\$116.....	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116.....	\$118.....	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118.....	\$120.....	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120.....	\$124.....	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124.....	\$128.....	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128.....	\$132.....	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132.....	\$136.....	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136.....	\$140.....	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140.....	\$144.....	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144.....	\$148.....	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148.....	\$152.....	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152.....	\$156.....	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156.....	\$160.....	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160.....	\$164.....	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$164	\$168	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200	\$210	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0
\$270	\$280	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290	\$300	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340	\$360	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360	\$380	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380	\$400	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400	\$420	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420	\$440	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440	\$460	73.70	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10
\$460	\$480	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480	\$500	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500	\$520	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520	\$540	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540	\$560	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560	\$580	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580	\$600	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600	\$620	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620	\$640	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640	\$660	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60
\$660	\$680	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680	\$700	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700	\$720	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720	\$740	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740	\$760	134.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760	\$780	139.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780	\$800	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800	\$820	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820	\$840	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30
\$840	\$860	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30
\$860	\$880	164.30	157.00	149.70	142.40	135.10	128.50	122.70	116.80	111.00	105.20	99.30
\$880	\$900	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900	\$920	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920	\$940	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940	\$960	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960	\$980	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980	\$1,000	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000	\$1,020	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020	\$1,040	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040	\$1,060	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060	\$1,080	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080	\$1,100	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100	\$1,120	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120	\$1,140	240.00	231.20	222.50	213.70	205.00	196.20	187.50	178.70	171.00	163.70	156.40
\$1,140	\$1,160	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160	\$1,180	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180	\$1,200	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200	\$1,220	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over...		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.40	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	7.00	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.60	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.20	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.80	.40	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136.....	\$140.....	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140.....	\$144.....	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144.....	\$148.....	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148.....	\$152.....	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152.....	\$156.....	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156.....	\$160.....	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160.....	\$164.....	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164.....	\$168.....	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168.....	\$172.....	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172.....	\$176.....	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176.....	\$180.....	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180.....	\$184.....	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184.....	\$188.....	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188.....	\$192.....	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192.....	\$196.....	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196.....	\$200.....	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200.....	\$204.....	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204.....	\$208.....	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208.....	\$212.....	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212.....	\$216.....	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216.....	\$220.....	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220.....	\$224.....	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224.....	\$228.....	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228.....	\$232.....	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232.....	\$236.....	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236.....	\$240.....	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240.....	\$248.....	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$248.....	\$256.....	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$256.....	\$264.....	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.50	3.00	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0
\$480	\$500	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	.90	0	0
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.60	110.10	98.40	86.80	75.10	63.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.60	128.10	114.40	102.80	91.10	79.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	188.60	170.30	155.80	141.20	127.40
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60
30 percent of the excess over \$1,520 plus—												
\$1,520 and over...		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0-----	\$16-----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16-----	\$20-----	.20	0	0	0	0	0	0	0	0	0	0
\$20-----	\$24-----	.70	0	0	0	0	0	0	0	0	0	0
\$24-----	\$28-----	1.30	0	0	0	0	0	0	0	0	0	0
\$28-----	\$32-----	1.90	0	0	0	0	0	0	0	0	0	0
\$32-----	\$36-----	2.40	0	0	0	0	0	0	0	0	0	0
\$36-----	\$40-----	3.00	0	0	0	0	0	0	0	0	0	0
\$40-----	\$44-----	3.50	0	0	0	0	0	0	0	0	0	0
\$44-----	\$48-----	4.10	0	0	0	0	0	0	0	0	0	0
\$48-----	\$52-----	4.70	0	0	0	0	0	0	0	0	0	0
\$52-----	\$56-----	5.20	0	0	0	0	0	0	0	0	0	0
\$56-----	\$60-----	5.80	0	0	0	0	0	0	0	0	0	0
\$60-----	\$64-----	6.30	0	0	0	0	0	0	0	0	0	0
\$64-----	\$68-----	6.90	0	0	0	0	0	0	0	0	0	0
\$68-----	\$72-----	7.50	0	0	0	0	0	0	0	0	0	0
\$72-----	\$76-----	8.00	0	0	0	0	0	0	0	0	0	0
\$76-----	\$80-----	8.60	.40	0	0	0	0	0	0	0	0	0
\$80-----	\$84-----	9.10	1.00	0	0	0	0	0	0	0	0	0
\$84-----	\$88-----	9.70	1.50	0	0	0	0	0	0	0	0	0
\$88-----	\$92-----	10.30	2.10	0	0	0	0	0	0	0	0	0
\$92-----	\$96-----	10.80	2.70	0	0	0	0	0	0	0	0	0
\$96-----	\$100-----	11.40	3.20	0	0	0	0	0	0	0	0	0
\$100-----	\$104-----	12.00	3.80	0	0	0	0	0	0	0	0	0
\$104-----	\$108-----	12.60	4.30	0	0	0	0	0	0	0	0	0
\$108-----	\$112-----	13.20	4.90	0	0	0	0	0	0	0	0	0
\$112-----	\$116-----	13.80	5.50	0	0	0	0	0	0	0	0	0
\$116-----	\$120-----	14.40	6.00	0	0	0	0	0	0	0	0	0
\$120-----	\$124-----	15.00	6.60	0	0	0	0	0	0	0	0	0
\$124-----	\$128-----	15.60	7.10	0	0	0	0	0	0	0	0	0
\$128-----	\$132-----	16.20	7.70	0	0	0	0	0	0	0	0	0
\$132-----	\$136-----	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$136-----	\$140-----	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$140-----	\$144-----	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$144-----	\$148-----	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$148-----	\$152-----	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$152-----	\$156-----	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$156-----	\$160-----	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$160-----	\$164-----	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$164-----	\$168-----	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$168-----	\$172-----	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$172-----	\$176-----	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$176-----	\$180-----	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$180-----	\$184-----	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$184-----	\$188-----	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$188-----	\$192-----	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$192-----	\$196-----	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$196-----	\$200-----	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$200-----	\$204-----	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$204-----	\$208-----	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$208-----	\$212-----	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$212-----	\$216-----	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$216-----	\$220-----	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$220-----	\$224-----	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$224-----	\$228-----	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$228-----	\$232-----	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$232-----	\$236-----	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$236-----	\$240-----	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$240-----	\$248-----	33.30	24.50	15.80	7.30	0	0	0	0	0	0	0
\$248-----	\$256-----	34.50	25.70	17.00	8.40	.30	0	0	0	0	0	0
\$256-----	\$264-----	35.70	26.90	18.20	9.60	1.40	0	0	0	0	0	0
\$264-----	\$272-----	36.90	28.10	19.40	10.70	2.50	0	0	0	0	0	0
\$272-----	\$280-----	38.10	29.30	20.60	11.80	3.60	0	0	0	0	0	0
\$280-----	\$288-----	39.30	30.50	21.80	13.00	4.80	0	0	0	0	0	0
\$288-----	\$296-----	40.50	31.70	23.00	14.20	5.90	0	0	0	0	0	0
\$296-----	\$304-----	41.70	32.90	24.20	15.40	7.00	0	0	0	0	0	0
\$304-----	\$312-----	42.90	34.10	25.40	16.60	8.10	0	0	0	0	0	0
\$312-----	\$320-----	44.10	35.30	26.60	17.80	9.20	1.10	0	0	0	0	0
\$320-----	\$328-----	45.30	36.50	27.80	19.00	10.40	2.20	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	263.30	251.70	240.00	228.30	214.70
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	273.30	261.70	250.00	238.30	222.70
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	283.30	271.70	260.00	248.30	230.70
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	293.30	281.70	270.00	258.30	246.70
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	303.30	291.70	280.00	268.30	254.70
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	313.30	301.70	290.00	278.30	266.70
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	323.30	311.70	300.00	288.30	274.70
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	333.30	321.70	310.00	296.30	286.70
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	329.50	317.90	307.30	298.80
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	339.50	327.90	317.30	308.80
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	349.50	337.90	327.30	318.80
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	359.50	347.90	337.30	328.80
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.50	357.90	347.30	338.80
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	369.90	357.30	348.80
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	379.90	367.30	358.80
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	358.90
30 percent of the excess over \$2,440 plus—												
\$2,440 and over—		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0.-----	\$0.75----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75----	\$1.00----	.05	0	0	0	0	0	0	0	0	0	0
\$1.00----	\$1.25----	.10	0	0	0	0	0	0	0	0	0	0
\$1.25----	\$1.50----	.10	0	0	0	0	0	0	0	0	0	0
\$1.50----	\$1.75----	.15	0	0	0	0	0	0	0	0	0	0
\$1.75----	\$2.00----	.20	0	0	0	0	0	0	0	0	0	0
\$2.00----	\$2.25----	.20	0	0	0	0	0	0	0	0	0	0
\$2.25----	\$2.50----	.25	0	0	0	0	0	0	0	0	0	0
\$2.50----	\$2.75----	.30	0	0	0	0	0	0	0	0	0	0
\$2.75----	\$3.00----	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00----	\$3.25----	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25----	\$3.50----	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50----	\$3.75----	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75----	\$4.00----	.50	.20	0	0	0	0	0	0	0	0	0
\$4.00----	\$4.25----	.55	.25	0	0	0	0	0	0	0	0	0
\$4.25----	\$4.50----	.60	.25	0	0	0	0	0	0	0	0	0
\$4.50----	\$4.75----	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75----	\$5.00----	.65	.35	.05	0	0	0	0	0	0	0	0
\$5.00----	\$5.25----	.70	.40	.10	0	0	0	0	0	0	0	0
\$5.25----	\$5.50----	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.50----	\$5.75----	.80	.45	.15	0	0	0	0	0	0	0	0
\$5.75----	\$6.00----	.85	.50	.20	0	0	0	0	0	0	0	0
\$6.00----	\$6.25----	.90	.55	.25	0	0	0	0	0	0	0	0
\$6.25----	\$6.50----	.90	.60	.30	0	0	0	0	0	0	0	0
\$6.50----	\$6.75----	.95	.65	.30	.05	0	0	0	0	0	0	0
\$6.75----	\$7.00----	1.00	.70	.35	.10	0	0	0	0	0	0	0
\$7.00----	\$7.25----	1.05	.70	.40	.10	0	0	0	0	0	0	0
\$7.25----	\$7.50----	1.10	.75	.45	.15	0	0	0	0	0	0	0
\$7.50----	\$7.75----	1.15	.80	.50	.20	0	0	0	0	0	0	0
\$7.75----	\$8.00----	1.20	.85	.55	.20	0	0	0	0	0	0	0
\$8.00----	\$8.25----	1.20	.90	.55	.25	0	0	0	0	0	0	0
\$8.25----	\$8.50----	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$8.50----	\$8.75----	1.30	1.00	.65	.35	.05	0	0	0	0	0	0
\$8.75----	\$9.00----	1.35	1.00	.70	.35	.10	0	0	0	0	0	0
\$9.00----	\$9.25----	1.40	1.05	.75	.40	.15	0	0	0	0	0	0
\$9.25----	\$9.50----	1.45	1.10	.80	.45	.15	0	0	0	0	0	0
\$9.50----	\$9.75----	1.45	1.15	.80	.50	.20	0	0	0	0	0	0
\$9.75----	\$10.00----	1.50	1.20	.85	.55	.25	0	0	0	0	0	0
\$10.00----	\$10.50----	1.60	1.25	.95	.60	.30	0	0	0	0	0	0
\$10.50----	\$11.00----	1.65	1.35	1.00	.70	.35	.10	0	0	0	0	0
\$11.00----	\$11.50----	1.75	1.40	1.10	.75	.45	.15	0	0	0	0	0
\$11.50----	\$12.00----	1.85	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$12.00----	\$12.50----	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0	0
\$12.50----	\$13.00----	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0	0
\$13.00----	\$13.50----	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0	0
\$13.50----	\$14.00----	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$14.00----	\$14.50----	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0	0
\$14.50----	\$15.00----	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$15.00----	\$15.50----	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0	0
\$15.50----	\$16.00----	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0	0
\$16.00----	\$16.50----	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0	0
\$16.50----	\$17.00----	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0	0
\$17.00----	\$17.50----	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0	0
\$17.50----	\$18.00----	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0	0
\$18.00----	\$18.50----	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05	0
\$18.50----	\$19.00----	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15	0
\$19.00----	\$19.50----	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20	0
\$19.50----	\$20.00----	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30	0
\$20.00----	\$21.00----	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40	.10
\$21.00----	\$22.00----	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25
\$22.00----	\$23.00----	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40
\$23.00----	\$24.00----	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55
\$24.00----	\$25.00----	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75
\$25.00----	\$26.00----	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90
\$26.00----	\$27.00----	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40	1.10

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$27.00----	\$28.00--	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60	\$1.25
\$28.00----	\$29.00--	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.60	2.10	1.75	1.40
\$29.00----	\$30.00--	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00----	\$31.00--	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00----	\$32.00--	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00----	\$33.00--	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00----	\$34.00--	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00----	\$35.00--	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00----	\$36.00--	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00----	\$37.00--	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30	2.95
\$37.00----	\$38.00--	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50	3.15
\$38.00----	\$39.00--	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.55	4.10	3.70	3.35
\$39.00----	\$40.00--	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00----	\$41.00--	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00----	\$42.00--	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00----	\$43.00--	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00----	\$44.00--	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00----	\$45.00--	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00----	\$46.00--	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00----	\$47.00--	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00----	\$48.00--	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00----	\$49.00--	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00----	\$50.00--	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
		30 percent of the excess over \$50 plus—										
\$50 and over-----		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.00

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0-----	\$0.75----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75-----	\$1.00-----	.05	0	0	0	0	0	0	0	0	0	0
\$1.00-----	\$1.25-----	.10	0	0	0	0	0	0	0	0	0	0
\$1.25-----	\$1.50-----	.10	0	0	0	0	0	0	0	0	0	0
\$1.50-----	\$1.75-----	.15	0	0	0	0	0	0	0	0	0	0
\$1.75-----	\$2.00-----	.20	0	0	0	0	0	0	0	0	0	0
\$2.00-----	\$2.25-----	.20	0	0	0	0	0	0	0	0	0	0
\$2.25-----	\$2.50-----	.25	0	0	0	0	0	0	0	0	0	0
\$2.50-----	\$2.75-----	.30	0	0	0	0	0	0	0	0	0	0
\$2.75-----	\$3.00-----	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00-----	\$3.25-----	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25-----	\$3.50-----	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50-----	\$3.75-----	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75-----	\$4.00-----	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00-----	\$4.25-----	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25-----	\$4.50-----	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50-----	\$4.75-----	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75-----	\$5.00-----	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00-----	\$5.25-----	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25-----	\$5.50-----	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50-----	\$5.75-----	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75-----	\$6.00-----	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00-----	\$6.25-----	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25-----	\$6.50-----	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50-----	\$6.75-----	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75-----	\$7.00-----	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00-----	\$7.25-----	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25-----	\$7.50-----	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50-----	\$7.75-----	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75-----	\$8.00-----	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00-----	\$8.25-----	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25-----	\$8.50-----	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50-----	\$8.75-----	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75-----	\$9.00-----	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00-----	\$9.25-----	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25-----	\$9.50-----	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50-----	\$9.75-----	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75-----	\$10.00-----	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00-----	\$10.50-----	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50-----	\$11.00-----	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00-----	\$11.50-----	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50-----	\$12.00-----	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00-----	\$12.50-----	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50-----	\$13.00-----	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00-----	\$13.50-----	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50-----	\$14.00-----	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0
\$14.00-----	\$14.50-----	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50-----	\$15.00-----	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00-----	\$15.50-----	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50-----	\$16.00-----	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00-----	\$16.50-----	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50-----	\$17.00-----	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00-----	\$17.50-----	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50-----	\$18.00-----	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00-----	\$18.50-----	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50-----	\$19.00-----	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00-----	\$19.50-----	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50-----	\$20.00-----	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00-----	\$21.00-----	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00-----	\$22.00-----	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00-----	\$23.00-----	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00-----	\$24.00-----	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00-----	\$25.00-----	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$25.00	\$26.00	\$4.05	\$3.65	\$3.35	\$3.00	\$2.70	\$2.35	\$2.05	\$1.70	\$1.40	\$1.15	\$.85
\$26.00	\$27.00	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00	\$28.00	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00	\$29.00	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00	\$30.00	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00	\$31.00	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00	\$32.00	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00	\$33.00	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00	\$34.00	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00	\$35.00	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00	\$36.00	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00	\$37.00	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00	\$38.00	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00	\$39.00	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00	\$40.00	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00	\$41.00	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00	\$42.00	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00	\$43.00	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00	\$44.00	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00	\$45.00	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00	\$46.00	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00	\$47.00	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00	\$48.00	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00	\$49.00	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00	\$50.00	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00	\$51.00	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00	\$52.00	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00	\$53.00	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00	\$54.00	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00	\$55.00	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00	\$56.00	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00	\$57.00	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00	\$58.00	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00	\$59.00	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00	\$60.00	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00	\$61.00	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00	\$62.00	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00	\$63.00	12.25	11.65	11.15	10.70	10.20	9.75	9.25	8.75	8.35	7.95	7.60
\$63.00	\$64.00	12.55	11.95	11.40	10.95	10.45	10.00	9.50	9.00	8.55	8.15	7.80
\$64.00	\$65.00	12.85	12.25	11.70	11.20	10.70	10.25	9.75	9.25	8.80	8.35	8.00
\$65.00	\$66.00	13.15	12.55	12.00	11.45	10.95	10.50	10.00	9.50	9.05	8.55	8.20
\$66.00	\$67.00	13.45	12.85	12.30	11.70	11.20	10.75	10.25	9.75	9.30	8.80	8.40
\$67.00	\$68.00	13.75	13.15	12.60	12.00	11.45	11.00	10.50	10.00	9.55	9.05	8.60
\$68.00	\$69.00	14.05	13.45	12.90	12.30	11.75	11.25	10.75	10.25	9.80	9.30	8.85
\$69.00	\$70.00	14.35	13.75	13.20	12.60	12.05	11.50	11.00	10.50	10.05	9.55	9.10
\$70.00	\$71.00	14.65	14.05	13.50	12.90	12.35	11.75	11.25	10.75	10.30	9.80	9.35
\$71.00	\$72.00	14.95	14.35	13.80	13.20	12.65	12.05	11.50	11.00	10.55	10.05	9.60
\$72.00	\$73.00	15.25	14.65	14.10	13.50	12.95	12.35	11.80	11.25	10.80	10.30	9.85
\$73.00	\$74.00	15.55	14.95	14.40	13.80	13.25	12.65	12.10	11.50	11.05	10.55	10.10
\$74.00	\$75.00	15.85	15.25	14.70	14.10	13.55	12.95	12.40	11.80	11.30	10.80	10.35
\$75.00	\$76.00	16.15	15.55	15.00	14.40	13.85	13.25	12.70	12.10	11.55	11.05	10.60
\$76.00	\$77.00	16.45	15.85	15.30	14.70	14.15	13.55	13.00	12.40	11.85	11.30	10.85
\$77.00	\$78.00	16.75	16.15	15.60	15.00	14.45	13.85	13.30	12.70	12.15	11.55	11.10
\$78.00	\$79.00	17.05	16.45	15.90	15.30	14.75	14.15	13.60	13.00	12.45	11.85	11.35
\$79.00	\$80.00	17.35	16.75	16.20	15.60	15.05	14.45	13.90	13.30	12.75	12.15	11.60
		30 percent of the excess over \$80 plus—										
\$80 and over		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

1 (d) DISCLOSURE OF MARITAL STATUS; DETERMINA-
 2 TION OF MARITAL STATUS; TREATMENT OF SURVIVING
 3 SPOUSE.—Section 3402 (relating to income tax collected at
 4 source) is amended by adding at the end thereof the follow-
 5 ing new subsection:

6 “(1) DETERMINATION AND DISCLOSURE OF MARITAL
 7 STATUS.—

8 “(1) DETERMINATION OF STATUS BY EM-
 9 PLOYER.—For purposes of applying the tables in sub-
 10 sections (a) and (c) to a payment of wages, the em-
 11 ployer shall treat the employee as a single person unless
 12 there is in effect with respect to such payment of wages
 13 a withholding exemption certificate furnished to the em-
 14 ployer by the employee after the date of the enactment
 15 of this subsection indicating that the employee is
 16 married.

17 “(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An
 18 employee shall be entitled to furnish the employer with
 19 a withholding exemption certificate indicating he is mar-
 20 ried only if, on the day of such furnishing, he is married
 21 (determined with the application of the rules in para-

graph (3)). An employee whose marital status changes from married to single shall, at such time as the Secretary or his delegate may by regulations prescribe, furnish the employer with a new withholding exemption certificate.

“(3) DETERMINATION OF MARITAL STATUS.—For purposes of paragraph (2), an employee shall on any day be considered—

“(A) as not married, if (i) he is legally separated from his spouse under a decree of divorce or separate maintenance, or (ii) either he or his spouse is, or on any preceding day within the calendar year was, a nonresident alien; or

“(B) as married, if (i) his spouse (other than a spouse referred to in subparagraph (A)) died within the portion of his taxable year which precedes such day, or (ii) his spouse died during one of the two taxable years immediately preceding the current taxable year and, on the basis of facts existing at the beginning of such day, the employee reasonably expects, at the close of his taxable year, to be a surviving spouse (as defined in section 2 (b)).”

(e) WITHHOLDING ALLOWANCES FOR ITEMIZED DEDUCTIONS.—

(1) ALLOWANCE.—Section 3402 (f) (1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of —

1 “(A) his estimated itemized deductions, over

2 “(B) an amount equal to the sum of ~~42~~ 10 per-

3 cent of the first \$7,500 of his estimated wages and

4 17 percent of the remainder of his estimated wages.

5 If the number determined under the preceding sentence

6 is not a whole number, the fraction shall be disregarded;

7 except that, if the number determined is one-half or

8 more but less than one, it shall be increased to one. For

9 purposes of this subsection, fractional numbers shall not
10 be taken into account.

11 “(2) DEFINITIONS.—For purposes of this sub-
12 section—

13 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—

14 The term ‘estimated itemized deductions’ means the

15 aggregate amount which he reasonably expects will

16 be allowable as deductions under chapter 1 (other

17 than the deductions referred to in sections 141 and

18 151 and other than the deductions required to be

19 taken into account in determining adjusted gross

20 income under section 62) for the estimation year.

21 In no case shall such aggregate amount be greater

22 than (i) the amount of such deductions shown on his

23 return of tax under subtitle A for the taxable year

24 preceding the estimation year year, or (ii) in the

25 case of an employee who did not show such deduc-

tions on his return for such preceding taxable year,
 an amount equal to the lesser of \$1,000 or 10 per-
 cent of the wages shown on his return for such
 preceding taxable year.

“(B) ESTIMATED WAGES.—The term ‘esti-
 mated wages’ means the aggregate amount which he
 reasonably expects will constitute wages for the
 estimation year. In no case shall such aggregate
 amount be less than the amount of wages shown
 on his return for the taxable year preceding the
 estimation year.

“(C) ESTIMATION YEAR.—In the case of an
 employee who files his return on the basis of a
 calendar year, the term ‘estimation year’ means—

“(i) with respect to payments of wages
 after April 30 and on or before December 31
 of any calendar year, such calendar year, and

“(ii) with respect to payments of wages
 on or after January 1 and before May 1 of any
 calendar year, the preceding calendar year (or,
 if the employee has filed a return for the pre-
 calendar year, the preceding calendar year ~~or,~~
 if the employee has filed a return for the pre-
 ceding calendar year, and if he has in effect

1 a withholding allowance under this subsection
2 based on using the current calendar year as
3 the estimation year; such current calendar
4 year) (except that with respect to an exemption
5 certificate furnished by an employee after he has
6 filed his return for the preceding calendar year,
7 such term means the current calendar year).

8 In the case of an employee who files his return on
9 a basis other than the calendar year, his estimation
10 year, and the amounts deducted and withheld to be
11 governed by such estimation year, shall be deter-
12 mined under regulations prescribed by the Secretary
13 or his delegate.

14 “(3) SPECIAL RULES.—

15 “(A) MARRIED INDIVIDUALS.—The number of
16 withholding allowances to which a husband and
17 wife are entitled under this subsection shall be de-
18 termined on the basis of their combined wages and
19 deductions. This subparagraph shall not apply to a
20 husband and wife who filed separate returns for the
21 taxable year preceding the estimation year and who
22 reasonably expect to file separate returns for the
23 estimation year.

24 “(B) ONLY ONE CERTIFICATE TO BE IN
25 EFFECT.—In the case of any employee, withhold-

ing allowances under this subsection may not be claimed with more than one employer at any one time.

“(C) TERMINATION OF EFFECTIVENESS.—In the case of an employee who files his return on the basis of a calendar year, that portion of a withholding exemption certificate which relates to allowances under this subsection shall not be effective with respect to payments of wages after the first April 30 following the close of the estimation year on which it is based.

“(D) LIMITATION.—The Secretary or his delegate may by regulations provide that one or more of the withholding allowances to which an employee would, but for this subparagraph, be entitled under this subsection shall be denied because such employee’s estimated wages are above the level at which the amounts deducted and withheld under this chapter are generally sufficient to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld.

“(D) LIMITATION.—In the case of employees whose estimated wages are at levels at which the amounts deducted and withheld under this chapter

generally are insufficient (taking into account a reasonable allowance for deductions and exemptions) to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, the Secretary or his delegate may by regulation reduce the withholding allowances to which such employees would, but for this subparagraph, be entitled under this subsection.

“(E) AUTHORITY TO PRESCRIBE TABLES.—

The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. —Such tables may be based on reasonable wage and itemized deduction brackets.

“(F) (E) TREATMENT OF ALLOWANCES.—

For purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding exemption.” exemption.

“(4) AUTHORITY TO PRESCRIBE TABLES.—The

Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of withholding allowances to which they are entitled under this

subsection (in lieu of making such determination under paragraphs (1) and (3)). Such tables shall be consistent with the provisions of paragraphs (1) and (3), except that such tables—

“(A) shall provide for entitlement to withholding allowances based on reasonable wage and itemized deduction brackets, and

“(B) may increase or decrease the number of withholding allowances to which employees in the various wage and itemized deduction brackets would, but for this subparagraph, be entitled to the end that, to the extent practicable, amounts deducted and withheld under this chapter (i) generally do not exceed the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, and (ii) generally are sufficient to offset such liability for tax.”

(3) STATUS DETERMINATION DATE.—The last sentence of section 3402 (f) (3) (B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) CIVIL PENALTY.—

(A) Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

**“SEC. 6682. FALSE INFORMATION WITH RESPECT TO
WITHHOLDING ALLOWANCES BASED ON
ITEMIZED DEDUCTIONS.**

“(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if any individual in claiming a withholding allowance under section 3402 (f) (1) (F) states ~~(1) that the wages (within the meaning of chapter 24) shown on his return for any taxable year were less than such wages actually shown, or (2) that the itemized deductions referred to in section 3402(m) on the return for any taxable year were greater than such deductions actually shown, he shall pay a penalty of \$50 for each such statement (1) as the amount of the wages (within the meaning of chapter 24) shown on his return for any taxable year an amount less than such wages actually shown, or (2) as the amount of the itemized deductions referred to in section 3402(m) shown on the return for any taxable year an amount greater than such deductions actually shown, he shall pay a penalty of \$50 for such statement, unless (1) such statement did not result in a decrease in the amounts deducted and withheld under chapter 24, or (2) the taxes~~

1 imposed with respect to the individual under subtitle A
 2 for the succeeding taxable year do not exceed the sum of
 3 (A) the credits against such taxes allowed by part IV
 4 of subchapter A of chapter 1, and (B) the payments of
 5 estimated tax which are considered payments on account
 6 of such taxes.

7 “(b) DEFICIENCY PROCEDURES NOT TO APPLY.—
 8 Subchapter B of chapter 63 (relating to deficiency pro-
 9 cedures for income, estate, and gift taxes) shall not apply
 10 in respect of the assessment or collection of any penalty
 11 imposed by subsection (a).”

12 (B) The table of sections of such subchapter
 13 B is amended by adding at the end thereof the
 14 following:

“Sec. 6682. False information with respect to withholding
 allowances based on itemized deductions.”

15 (5) CRIMINAL PENALTY.—Section 7205 (relating
 16 to fraudulent withholding exemption certificate or fail-
 17 ure to supply information) is amended—

18 (A) by striking out “section 3402 (f)” and
 19 inserting in lieu thereof “section 3402”, and

20 (B) by striking out “any penalty otherwise
 21 provided” and inserting in lieu thereof “any other
 22 penalty provided by law (except the penalty pro-
 23 vided by section 6682)”.

1 (6) EFFECTIVE DATE.—The amendments made by
2 paragraphs (1) and (2) of this subsection shall apply
3 only with respect to remuneration paid after Decem-
4 ber 31, 1966, but only with respect to withholding
5 exemptions based on estimation years beginning after
6 such date.

7 (f) TRANSITIONAL DETERMINATION STATUS DATE.—
8 Notwithstanding section 3402 (f) (3) (B) of the Internal
9 Revenue Code of 1954, a withholding exemption certificate
10 furnished the employer after the date of the enactment of
11 this Act and before May 1, 1966, shall take effect with
12 respect to the first payment of wages made on or after
13 May 1, 1966, or the 10th day after the date on which such
14 certificate is furnished to the employer, whichever is later,
15 and at the election of the employer such certificate may
16 be made effective with respect to any payment of wages
17 made on or after the date on which such certificate is
18 furnished.

19 (g) EFFECTIVE DATE.—The amendments made by
20 this section (other than subsection (e)) shall apply only
21 with respect to remuneration paid after April 30, 1966.

22 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

23 (a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-
24 MATED TAX.—Section 6015 (c) (relating to definition of

1 estimated tax in the case of an individual) is amended to
2 read as follows:

3 “(c) ESTIMATED TAX.—For purposes of this title, in
4 the case of an individual, the term ‘estimated tax’ means—

5 “(1) the amount which the individual estimates as
6 the amount of the income tax imposed by chapter 1
7 for the taxable year, plus

8 “(2) the amount which the individual estimates
9 as the amount of the self-employment tax imposed by
10 chapter 2 for the taxable year, minus

11 “(3) the amount which the individual estimates
12 as the sum of any credits against tax provided by
13 part IV of subchapter A of chapter 1.”

14 (b) ADDITION TO TAX FOR UNDERPAYMENT OF
15 ESTIMATED TAX.—

16 (1) Section 6654 (a) (relating to addition to the
17 tax for underpayment of estimated tax by an individual)
18 is amended by inserting after “chapter 1” the following:
19 “and the tax under chapter 2”.

20 (2) Section 6654 (d) is amended to read as
21 follows:

22 “(d) EXCEPTION.—Notwithstanding the provisions of
23 the preceding subsections, the addition to the tax with re-
24 spect to any underpayment of any installment shall not be

1 imposed if the total amount of all payments of estimated tax
2 made on or before the last date prescribed for the payment
3 of such installment equals or exceeds the amount which
4 would have been required to be paid on or before such date
5 if the estimated tax were whichever of the following is the
6 least—

7 “(1) The tax shown on the return of the individual
8 for the preceding taxable year, if a return showing a
9 liability for tax was filed by the individual for the pre-
10 ceding taxable year and such preceding year was a
11 taxable year of 12 months.

12 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
13 in the case of individuals referred to in section 6073 (b) ,
14 relating to income from farming or fishing) of the tax
15 for the taxable year computed by placing on an annual-
16 ized basis the taxable income for the months in the
17 taxable year ending before the month in which the
18 installment is required to be paid and by taking into
19 account the adjusted self-employment income (if the
20 net earnings from self-employment (as defined in sec-
21 tion 1402 (a)) for the taxable year equal or exceed
22 \$400). For purposes of this paragraph—

23 “(A) The taxable income shall be placed on
24 an annualized basis by—

25 “(i) multiplying by 12 (or, in the case

1 of a taxable year of less than 12 months, the
2 number of months in the taxable year) the tax-
3 able income (computed without deduction of
4 personal exemptions) for the months in the tax-
5 able year ending before the month in which the
6 installment is required to be paid,

7 “(ii) dividing the resulting amount by the
8 number of months in the taxable year ending
9 before the month in which such installment date
10 falls, and

11 “(iii) deducting from such amount the de-
12 ductions for personal exemptions allowable for
13 the taxable year (such personal exemptions
14 being determined as of the last date prescribed
15 for payment of the installment).

16 “(B) The term ‘adjusted self-employment in-
17 come’ means—

18 “(i) the net earnings from self-employ-
19 ment (as defined in section 1402 (a)) for the
20 months in the taxable year ending before the
21 month in which the installment is required to
22 be paid, but not more than

23 “(ii) the excess of \$6,600 over the amount
24 determined by placing the wages (within the
25 meaning of section 1402 (b)) for the months in

1 the taxable year ending before the month in
2 which the installment is required to be paid on
3 an annualized basis in a manner consistent with
4 clauses (i) and (ii) of subparagraph (A).

5 “(3) An amount equal to 90 percent of the tax
6 computed, at the rates applicable to the taxable year,
7 on the basis of the actual taxable income and the actual
8 self-employment income for the months in the taxable
9 year ending before the month in which the installment
10 is required to be paid as if such months constituted the
11 taxable year.

12 “(4) An amount equal to the tax computed, at the
13 rates applicable to the taxable year, on the basis of the
14 taxpayer’s status with respect to personal exemptions
15 under section 151 for the taxable year, but otherwise on
16 the basis of the facts shown on his return for, and the
17 law applicable to, the preceding taxable year.”

18 (3) Section 6654 (f) (relating to definition of tax
19 for purposes of subsections (b) and (d) of section 6654)
20 is amended to read as follows:

21 “(f) TAX COMPUTED AFTER APPLICATION OF
22 CREDITS AGAINST TAX.—For purposes of subsections (b)
23 and (d), the term ‘tax’ means—

24 “(1) the tax imposed by this chapter 1, plus

1 “(2) the tax imposed by chapter 2, minus

2 “(3) the credits against tax allowed by part IV
3 of subchapter A of chapter 1, other than the credit
4 against tax provided by section 31 (relating to tax
5 withheld on wages).”

6 *(4) Section 6211(b)(1) (relating to definition of a*
7 *deficiency) is amended by striking out “chapter 1” and*
8 *inserting in lieu thereof “subtitle A”.*

9 ~~(4)~~(5) Section 7701(a) (relating to definitions)
10 is amended by adding at the end thereof the following
11 new paragraph:

12 “(34) ESTIMATED INCOME TAX.—The term ‘esti-
13 mated income tax’ means—

14 “(A) in the case of an individual, the esti-
15 mated tax as defined in section 6015(c), or

16 “(B) in the case of a corporation, the esti-
17 mated tax as defined in section 6016(b).”

18 ~~(5)~~(6) Section 1403(b) (cross references) is
19 amended by adding at the end thereof the following new
20 paragraph:

 “(3) For provisions relating to declarations of esti-
mated tax on self-employment income, see section 6015.”

21 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
22 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402(e)

1 (3) (relating to effective date of waiver certificates) is
 2 amended by adding at the end thereof the following new
 3 subparagraph:

4 “(E) For purposes of sections 6015 and 6654,
 5 a waiver certificate described in paragraph (1)
 6 shall be treated as taking effect on the first day of
 7 the first taxable year beginning after the date on
 8 which such certificate is filed.”

9 (d) EFFECTIVE DATE.—The amendments made by sub-
 10 sections (a), (b), and (c) shall apply with respect to tax-
 11 able years beginning after December 31, 1966.

12 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
 13 **MATED INCOME TAX IN CASE OF INDIVID-**
 14 **UALS.**

15 (a) IN GENERAL.—Section 6654 (b) (relating to
 16 amount of underpayment), and section 6654 (d) (relating
 17 to exception) as amended by section 102 (b) (2) of this
 18 Act, are amended by striking out “70 percent” each place
 19 it appears and inserting in lieu thereof “80 percent”.

20 (b) EFFECTIVE DATE.—The amendments made by
 21 subsection (a) shall apply with respect to taxable years
 22 beginning after December 31, 1966.

23 **SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-**
 24 **COME TAX BY CORPORATIONS.**

25 (a) IN GENERAL.—Subsection (a) of section 6154

1 (relating to installment payments of estimated income tax
2 by corporations) is amended to read as follows:

3 “(a) AMOUNT AND TIME FOR PAYMENT OF EACH
4 INSTALLMENT.—The amount of estimated tax (as defined
5 in section 6016(b)) with respect to which a declaration
6 is required under section 6016 shall be paid as follows:

7 “(1) TAXABLE YEARS BEGINNING IN 1966.—
8 With respect to taxable years beginning after Decem-
9 ber 31, 1965, and before January 1, 1967, such esti-
10 mated tax shall be paid in installments in accordance
11 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

12 “(2) TAXABLE YEARS BEGINNING AFTER 1966.—
13 With respect to taxable years beginning after December
14 31, 1966, such estimated tax shall be paid in install-
15 ments in accordance with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33½	33½	33½
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

1 “(3) **TIMELY FILING.**—A declaration is timely
2 filed for the purposes of paragraphs (1) and (2) if it is
3 not required by section 6074 (a) to be filed on a date
4 (determined without regard to any extension of time
5 for filing the declaration under section 6081) before
6 the date it is actually filed.

7 “(4) **LATE FILING.**—If the declaration is filed after
8 the time prescribed in section 6074 (a) (determined
9 without regard to any extension of time for filing the
10 declaration under section 6081), there shall be paid at
11 the time of such filing all installments of estimated tax
12 which would have been payable on or before such time
13 if the declaration had been filed within the time pre-
14 scribed in section 6074 (a), and the remaining install-
15 ments shall be paid at the times at which, and in the
16 amounts in which, they would have been payable if the
17 declaration had been so filed.”

18 (b) **EFFECTIVE DATE.**—The amendment made by sub-
19 section (a) shall apply with respect to taxable years begin-
20 ning after December 31, 1965.

1 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
2 **TAX RATE REDUCTIONS**

3 **SEC. 201. PASSENGER AUTOMOBILES.**

4 (a) POSTPONEMENT OF RATE REDUCTIONS.—Sub-
5 paragraph (A) of section 4061 (a) (2) (relating to im-
6 position of tax) is amended to read as follows:

7 “(A) Articles enumerated in subparagraph (B)
8 are taxable at whichever of the following rates is
9 applicable:

10 “7 percent for the period beginning with the day
11 after the date of the enactment of the Tax
12 Adjustment Act of 1966 through March 31,
13 1968.

14 “2 percent for the period April 1, 1968, through
15 December 31, 1968.

16 “1 percent for the period after December 31, 1968.”

17 ~~(b) FLOOR STOCKS TAX.—Section 4226 (relating to~~
18 ~~floor stocks taxes) is amended—~~

19 ~~(1) By adding at the end of subsection (a) the~~
20 ~~following new paragraph:~~

1 ~~“(8) 1966 TAX ON AUTOMOBILES.—~~On any arti-
 2 cle subject to tax under section 4061(a)(2) which on
 3 the day after the date of the enactment of the Tax
 4 Adjustment Act of 1966 is held by a dealer and has not
 5 been used and is intended for sale, there is imposed a
 6 floor stocks tax at the rate of 1 percent of the price for
 7 which the article was sold by the manufacturer, pro-
 8 ducer, or importer. Under regulations prescribed by the
 9 Secretary or his delegate, the tax imposed under this
 10 paragraph shall be paid by such dealer and shall be col-
 11 lected from him by the manufacturer, producer, or im-
 12 porter.”

13 ~~(2) By amending subsection (d)—~~

14 ~~(A) by striking out “and except” and insert-~~
 15 ing in lieu thereof “except”, and

16 ~~(B) by striking out “delegate.” and inserting~~
 17 in lieu thereof “delegate, and except that the tax
 18 imposed by paragraph (8) shall be paid at such
 19 time after 60 days after the date of enactment of
 20 the Tax Adjustment Act of 1966 as may be pre-
 21 scribed by the Secretary or his delegate.”

22 ~~(c) CONFORMING AMENDMENTS.—~~

23 ~~(1) Section 6412(a)(1) (relating to floor stocks~~
 24 refunds on passenger automobiles, etc.) is amended by
 25 striking out “January 1, 1966, 1967, 1968, or 1969,”

and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969.”

(2) Section 209(c)(1)(G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out “section 4226(a)” and inserting in lieu thereof “section 4226(a) (other than paragraph (8) thereof)”.

(b) CONFORMING AMENDMENT.—Section 6412(a) (1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out “January 1, 1966, 1967, 1968, or 1969,” and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969.”

(d)(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a) (2) and inserting in lieu thereof:

“(2) The rate of tax referred to in paragraph (1) is as follows:

“Amounts paid pursuant to bills
first rendered—

Percent—

“Before April 1, 1968----- 10
“After March 31, 1968, and before January 1, 1969----- 1”

1 (2) By striking out subsection (c) and inserting
2 in lieu thereof:

3 “(c) SPECIAL RULE.—For purposes of subsection (a),
4 in the case of communications services rendered before Feb-
5 ruary 1, 1968, for which a bill has not been rendered before
6 April 1, 1968, a bill shall be treated as having been first
7 rendered on March 31, 1968. For purposes of subsections
8 (a) and (b), in the case of communications services ren-
9 dered after January 31, 1968, and before November 1,
10 1968, for which a bill has not been rendered before Jan-
11 uary 1, 1969, a bill shall be treated as having been first
12 rendered on December 31, 1968.”

13 (b) NONPROFIT HOSPITALS.—Section 4253 (relating
14 to exemptions from tax on communications) is amended by
15 adding at the end thereof the following new subsection:

16 “(h) NONPROFIT HOSPITALS.—No tax shall be im-
17 posed under section 4251 on any amount paid by a non-
18 profit hospital for services furnished to such organization.
19 For purposes of this subsection, the term ‘nonprofit hospital’
20 means a hospital referred to in section 503 (b) (5) which is
21 exempt from income tax under section 501 (a).”

22 (c) EFFECTIVE DATE.—The amendments made by sub-
23 sections (a) and (b) shall apply to amounts paid pursuant
24 to bills first rendered on or after the first day of the first
25 month which begins more than 15 days after the date on

1 which this Act is enacted for services rendered on or after
 2 such first day. In the case of amounts paid pursuant to bills
 3 rendered on or after such first day for services which were
 4 rendered before such first day and for which no previous bill
 5 was rendered, such amendments shall apply except with re-
 6 spect to such services as were rendered more than 2 months
 7 before such first day. In the case of services rendered more
 8 than 2 months before such first day, the provisions of sub-
 9 chapter B of chapter 33 of the Code in effect at the time such
 10 services were rendered, subject to the provision of section
 11 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
 12 apply to the amounts paid for such services.

13 *TITLE III—MISCELLANEOUS PROVISIONS*

14 *SEC. 301. DISALLOWANCE OF DEDUCTION FOR CERTAIN IN-* 15 *DIRECT CONTRIBUTIONS TO POLITICAL PAR-* 16 *TIES.*

17 *(a) DISALLOWANCE.—Part IX of subchapter B of*
 18 *chapter 1 (relating to items not deductible) is amended by*
 19 *adding at the end thereof the following new section:*

20 *“SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLIT-* 21 *ICAL PARTIES.*

22 *“(a) DISALLOWANCE OF DEDUCTIONS.—No deduc-*
 23 *tion otherwise allowable under this chapter shall be allowed*
 24 *for any amount paid or incurred for—*

25 *“(1) advertising in a convention program of a po-*

1 *litical party, or in any other publication if any part of*
 2 *the proceeds of such publication directly or indirectly*
 3 *inures (or is intended to inure) to or for the use of a*
 4 *political party or a political candidate,*

5 “(2) admission to any dinner or program, if any
 6 part of the proceeds of such dinner or program directly
 7 or indirectly inures (or is intended to inure) to or for
 8 the use of a political party or a political candidate, or

9 “(3) admission to an inaugural ball, inaugural
 10 gala, inaugural parade, or inaugural concert, or to any
 11 similar event which is identified with a political party or
 12 a political candidate.

13 “(b) *DEFINITIONS.*—For purposes of this section—

14 “(1) *POLITICAL PARTY.*—The term ‘political
 15 party’ means—

16 “(A) a political party;

17 “(B) a National, State, or local committee of
 18 a political party; or

19 “(C) a committee, association, or organization,
 20 whether incorporated or not, which directly or in-
 21 directly accepts contributions (as defined in section
 22 271(b)(2) or make expenditures (as defined in section
 23 271(b)(3)) for the purpose of influencing or at-
 24 tempting to influence the selection, nomination, or
 25 election of any individual to any Federal, State,

or local elective public office, or the election of presidential and vice-presidential electors, whether or not such individual or electors are selected, nominated, or elected.

“(2) *PROCEEDS INURING TO OR FOR THE USE OF POLITICAL CANDIDATES.*—Proceeds shall be treated as inuring to or for the use of a political candidate only if—

“(A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and

“(B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office).

“(c) *CROSS REFERENCE.*—

“For disallowance of certain entertainment, etc. expenses, see section 274.”

(b) *CLERICAL AMENDMENT.*—The table of sections for such part IX is amended by adding at the end thereof the following new item:

“Sec. 276. *Certain indirect contributions to political parties.*”

(c) *EFFECTIVE DATE.*—The amendments made by sub-sections (a) and (b) shall apply to taxable years beginning

1 *after December 31, 1965, but only with respect to amounts*
 2 *paid or incurred after the date of the enactment of this Act.*

3 **SEC. 302. INFORMATION RETURNS MADE BY DEPARTMENT**
 4 **OF AGRICULTURE.**

5 *(a) FILING BY SECRETARY OF AGRICULTURE OR HIS*
 6 *DESIGNEES.—Section 6041 (relating to information at*
 7 *source) is amended by adding at the end thereof the follow-*
 8 *ing new subsection:*

9 *“(e) PAYMENTS BY DEPARTMENT OF AGRICUL-*
 10 *TURE.—*

11 *“(1) RETURNS TO BE MADE BY SECRETARY OF*
 12 *AGRICULTURE.—In the case of any payments, for which*
 13 *returns are required under subsection (a), made under*
 14 *any program administered by the Department of Agri-*
 15 *culture, the returns required under subsection (a) shall*
 16 *be rendered by the Secretary of Agriculture or by one*
 17 *or more officers or employees of the Department of Agri-*
 18 *culture designated by the Secretary of Agriculture to*
 19 *make such returns on his behalf.*

20 *“(2) STATEMENTS TO BE FURNISHED TO PERSONS*
 21 *WITH RESPECT TO WHOM INFORMATION IS FUR-*
 22 *NISHED. The Secretary of Agriculture, or the officer,*
 23 *or employee of the Department of Agriculture desig-*
 24 *nated by him to render any return to which paragraph*
 25 *(1) applies, shall furnish to each person whose name is*

1 *set forth in such return a written statement showing the*
2 *aggregate amount of payments to the person as shown on*
3 *such return. The written statement required under the*
4 *preceding sentence shall be furnished to the person on or*
5 *before January 31 of the year following the calendar*
6 *year for which the return under subsection (a) was*
7 *made.”*

8 *(b) EFFECTIVE DATE.—The amendment made by sub-*
9 *section (a) shall apply with respect to returns made after*
10 *the date of the enactment of this Act.*

Passed the House of Representatives February 23, 1966.

Attest:

RALPH R. ROBERTS,

Clerk.

[Report No. 1010]

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

FEBRUARY 24, 1966

Read twice and referred to the Committee on Finance

MARCH 2, 1966

Reported with amendments

In a word, transportation has become one of the social problems of our time.

President Johnson referred to it in his state of the Union message. "A new Department of Transportation is needed," he said, "to bring together our transportation activities. The present structure—35 Government agencies spending \$5 billion yearly—makes it impossible to serve either the demands of the Nation—the needs of industry—or the right of the taxpayer to full efficiency and frugality."

Britain, where transport problems are less gigantic but more concentrated than in the industrialized parts of the United States, has long had a Ministry of Transport. The British public have tended to identify it with roads—and Prime Minister Harold Wilson's recent appointment as Minister of Transport of a woman who does not have a driving license has produced snorts and guffaws from some Britons (particularly male drivers). But the putting of Mrs. Barbara Castle—for she is the lady in question—in the top job at the Ministry of Transport bespeaks recognition of the need for drive and reorganization and, above all, the British Government's determination to draw up an integrated transport plan for the United Kingdom.

Mrs. Castle was an undoubted success in the apparently not very glamorous or exciting Ministry of Overseas Development where Prime Minister Wilson appointed her after the 1964 general election. His decision to put her in charge of transport is—as the Economist said—imaginative. It stems from the same basic need as prompted President Johnson's announcement of a new Department of Transportation in the United States. All of us have a vested interest in the success of both moves, for all of us have a greater urge and opportunity than ever to get about—whether it be simply getting to work from the suburbs or more ambitiously getting away on vacation.

[From the Washington (D.C.) Evening Star, Jan. 26, 1966]

TOO MANY COOKS

President Johnson in his state of the Union message put his finger on one of the major flaws in American transportation policy. Regulation is now divided among no less than 35 Government agencies, spending a total of \$5 billion yearly.

Such a fragmented approach, in the President's words, "makes it almost impossible to serve either the growing demands of this great Nation, or the needs of the industry, or the right of the taxpayer to full efficiency and real frugality."

Mr. Johnson's remedy would be to centralize all this supervision of airlines, railroads, trucking, and shipping in a new Department of Transportation. While Congress must await details of how this would be accomplished, the basic idea seems so logical and simple that the puzzle is why it was not done long ago.

Actually, the notion of such a Cabinet-level department has been kicking around Washington for years, but mutual suspicion and hostility among the powerful lobbies representing the various carriers and the struggles by bureaucrats to keep control over their little fiefdoms have successfully stalled action.

The result is a patchwork approach to the industry. Some modes of transportation must build their own depots while others use buildings erected at taxpayers' expense. Some carriers pay tax on fuel, others do not. Uncle Sam contributes to the cost of safety devices for one industry, while another receives no such benefit. And so it goes.

Putting all the regulators in one department will not automatically produce a ra-

tional, fair, and harmonious policy toward each segment of the industry. But it is the first step that must be taken to achieve such a reform. The public interest requires no less.

[From the Washington (D.C.) Post, Jan. 19, 1966]

TRANSPORTATION AND MORE

The President's proposal to establish a Department of Transportation, a single agency that would coordinate the diverse programs and functions of the Federal Government, deserves the widest support. In fact, a good case can be made for broadening the scope of the new department to include communications and power.

There are obvious and compelling reasons for placing the Federal transportation agencies under one roof. The Federal Government is now spending some \$6 billion a year for motor highway construction, the subsidization of the merchant marine, inland waterway and harbor improvement and the regulation of railroads, airlines, and common motor carriers. But those dollars cannot be spent effectively, they cannot confer maximum benefits upon the taxpayers unless national goals are clearly specified and pursued through coordinated efforts. Neither logic nor necessity has decreed that the Federal highway and waterways programs must work to the detriment of the Nation's railroads as they do now.

But a perfunctory coordination of transportation activities, one that merely results in shifting autonomous agencies under one big, bureaucratic tent will accomplish nothing more than an increase in Federal employment. To cite a specific example, the new department is not going to be effective so long as the Interstate Commerce Commission, that sclerotic archetype of the independent regulatory agency, continues to establish minimum, not maximum rates and approve rail mergers without sufficient attention to the balance and efficiency of the total transportation system. The effective coordination of Federal transportation programs, to say the very least, will involve a political struggle.

But that struggle, which will be centered largely around the conflicting interest of different modes of transportation, is not likely to be protracted if the new department were to encompass communications and the transmission of power. The inclusion of the Federal Communications and Federal Power Commissions in a new Department of Transportation, Communications, and Power would make it possible for the Government to regulate virtually all the interstate public utilities in a uniform and equitable manner.

The inability of both the Kennedy and Johnson administrations to make headway in the effort to alter railroad rate regulation is but a foretaste of the opposition to the formation of a new department.

TAX ADJUSTMENT ACT OF 1966

The PRESIDING OFFICER. Pursuant to the previous unanimous-consent agreement, the Chair lays before the Senate H.R. 12752, which will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

THE VICE PRESIDENT'S INFORMAL MEETING WITH THE COMMITTEE ON FOREIGN RELATIONS

Mr. MORSE. Mr. President, I have before me a most interesting article that appeared in this morning's Washington Post. The headline is "HUMPHREY Agrees To See FULBRIGHT Panel Privately."

The article states:

Vice President HUMPHREY agreed yesterday to a compromise plan to meet with the Senate Foreign Relations Committee in private, informal session.

For the past 2 weeks HUMPHREY has rejected Chairman J. WILLIAM FULBRIGHT's request that he meet with the committee in a more formal public session.

Under the compromise plan, HUMPHREY will meet with the committee this afternoon on the neutral ground of Majority Leader MIKE MANSFIELD's Capitol office.

FULBRIGHT's disagreement with another high administration official—President Johnson—continued to simmer yesterday.

The President refused to make public the testimony he gave to the Senate Foreign Relations Committee on May 25, 1961, after he returned from an Asian tour which he made as Vice President. On Monday FULBRIGHT suggested that the President make the testimony public.

At a press conference yesterday, Presidential Press Secretary Bill Moyers said that Mr. Johnson had appeared before the 1961 committee meeting with the understanding that it "would be informal and private." Moyers said that the President "doesn't regard it as appropriate to change the rules 5 years later" by making public his testimony.

In another development, FULBRIGHT disclosed that the committee would resume public hearings on U.S. Asian policy next Tuesday.

The new hearings will center on Communist China. The first witnesses will be two university experts on China—A. Doak Barnett of Columbia University on Tuesday and Harvard's John K. Fairbank on Thursday.

My reaction to the story is: How absurd can we be?

I am a member of the Committee on Foreign Relations, and this morning I protested any informal meeting with the Vice President on neutral grounds in the majority leader's office this afternoon.

I do not care how many Senators, be they members of the Committee on Foreign Relations or not, want to meet with the Vice President any time they want to meet with him. However, as a member of the Committee on Foreign Relations, I do object and said so this morning, to this kind of fol-de-rol, to this kind of nonsense.

Mr. President, no one has defended more than I have—and I shall continue to do so—the matter of separation of powers and the right of executive privilege.

The Vice President of the United States does not have to come to any committee meeting that he does not wish to attend. He is completely protected by executive privilege. He can volunteer to come. It has happened in the past.

But, Mr. President, I am at a loss to understand this parliamentary nonsense. I should have thought that the Vice President, on his own initiative, would have asked for the opportunity to appear before the Foreign Relations Committee in open session, to discuss with the commit-

tee the trip into Asia that he took at the request of the President of the United States. That would have been a most appropriate forum in which to discuss it.

There are other forums, and the Vice President is using them, as he has a perfect right to do, and I am glad he is using them. He used the forum of the East Room of the White House the other morning. In fact, I think he used it on a couple of mornings, to meet with various Members of Congress. That is fine; I heartily approve of it.

He has announced that he is going to use forums across the country to discuss his trip with the American people. I highly approve of that. He has used the forum of nationwide television and I approve of that.

The Foreign Relations Committee has certain special responsibilities in the field of foreign policy. It has certain special prerogatives in that field, and has a responsibility to officially seek to take testimony from those who, in the opinion of the committee, are particularly qualified and competent to be of assistance to the committee by giving them their testimony.

The committee chairman, the Senator from Arkansas [Mr. FULBRIGHT] was seeking to carry out that responsibility when he most respectfully suggested, the other day, that the Vice President meet with the Foreign Relations Committee in open, public session and discuss with the committee the trip that he had taken, and the many foreign relations problems that were raised by that trip.

When it became clear that the Vice President would not wish to meet with the Foreign Relations Committee in open session, the chairman of the committee most respectfully and properly suggested that he meet in executive session with the committee. When that was first suggested in our committee, I made it clear that it should be at the voluntary discretion of the Vice President, that we could not insist that he meet with us, but that we had the right to invite him to an executive meeting.

When the Vice President indicated, as I understand he did, that he did not care to meet the committee in public session or executive session, the matter should have been dropped. I do not think that it is fair, either to the committee or to the Vice President, to become involved in this hybrid arrangement, which is neither fish nor fowl.

Therefore, Mr. President, I made clear at the meeting this morning that I would not attend the session this afternoon, because I do not think that that session is in keeping with the separation of powers doctrine as far as a Senate committee is concerned, unless they were simply meeting as individual Senators, without any representation that it is a committee meeting. As far as I am concerned, there is no official Foreign Relations Committee meeting with the Vice President, and there cannot be, under the terms set forth in this press report.

There are some questions that the American people are entitled to have answered by the Vice President, but they are entitled to have them answered, in open session, where he can be asked on

the record questions about problems that are raised, for example, by a story that appeared in the Washington Daily News of February 25, by Walt Friedenberg, entitled "South Korea Drove a Bargain With H.H.H."—meaning the Vice President.

The article reads:

SEOUL, February 24.—Vice President HUMPHREY ended his 2-week, 9-nation tour here with a bargaining session on terms for sending more South Korean troops to help fight in Vietnam.

The terms were not made public. It is agreed, however, that this country will send one more regiment to South Vietnam by the end of April and a full infantry division by mid-July.

The present ROK troop total of 23,000 would thus rise to about 40,000.

Seoul argued that its present contingent in Vietnam was a reasonable contribution. But if more troops were to be sent, South Korea must look to its national interests, that is, be compensated.

So far as can be learned now, South Korea has been promised:

The gradual, selected reequipping (chiefly in heavy weapons) of its 500,000-man army.

Assurance that \$150 million in earmarked economic aid promptly will be forthcoming.

A stipend of about \$2 a day paid for each Korean soldier in Vietnam for better living conditions.

The continued flow of Korean civilian technicians to good-paying construction jobs in South Vietnam.

A greater share for Korea in the procurement of cement, of military uniforms, and other goods needed by South Vietnam.

An interesting story. I do not know what the facts are. But I do know, Mr. President, the American people are entitled to know what the facts are.

I ask unanimous consent that the two articles from which I have quoted, the one from today's issue of the Washington Post entitled "HUMPHREY Agrees To See Fulbright Panel Privately," and the one from yesterday's Washington Daily News entitled "South Korea Drove a Bargain With H.H.H.," be printed in the RECORD at this point.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post, Mar. 1, 1966]

HUMPHREY AGREES TO SEE FULBRIGHT PANEL PRIVATELY

Vice President HUMPHREY agreed yesterday to a compromise plan to meet with the Senate Foreign Relations Committee in private, informal session.

For the past 2 weeks HUMPHREY has rejected Chairman J. WILLIAM FULBRIGHT's request that he meet with the committee in a more formal public session.

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it "would be informal and private." Moyers said that the President "doesn't regard it as appropriate to change the rules 5 years later" by making public his testimony.

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The new hearings will center on Communist China. The first witnesses will be two university experts on China—A. Doak Barnett of Columbia University on Tuesday and Harvard's John K. Fairbank on Thursday.

[From the Washington (D.C.) Daily News, Feb. 24, 1966]

MORE AID IN VIETNAM FOR MORE AID: SOUTH KOREA DROVE A BARGAIN WITH H.H.H.

(By Walt Friedenberg)

SEOUL, February 24.—Vice President HUMPHREY ended his 2-week, nine-nation tour here with a bargaining session on terms for sending more South Korean troops to help fight in Vietnam.

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The continued flow of Korean civilian technicians to good-paying construction jobs in South Vietnam.

A greater share for Korea in the procurement of cement, of military uniforms, and other goods needed by South Vietnam.

Mr. MORSE. I do know, Mr. President, that in a democracy, if it is to be preserved, the executive branch of Government must be stopped, whether it involves the President or the Vice President or both, from engaging in government by executive supremacy. If the Daily News story I have read is true, this is dangerous stuff.

If it is true, it is important that we proceed without delay to check the increasing exercise of arbitrary, capricious power on the part of the President and the Vice President of the United States in the field of foreign policy.

By our failure to demand a public accounting, we will entrench government not by law but by a man. I know of no man, including the President of the United States, who should be given such unchecked arbitrary power.

Thus, Mr. President, I do not intend to participate in any conference—which is going on as I speak now—in the name of the Committee on Foreign Relations. In my judgment, if members of the Committee on Foreign Relations, as individual Senators, wish to meet with the Vice President of the United States, then they should do it in their individual capacities as Senators. They should not go into any such off-the-record informal meeting in the name of the Foreign Relations Committee, because when a For-

DIGEST of Congressional Proceedings

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Issued March 7, 1966
For actions of March 4, 1966
89th-2nd; No. 39

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HIGHLIGHTS: Sen. McGovern inserted items supporting Food for Freedom proposal. Sen. Proxmire criticized administration's child nutrition proposal. Sen. McGovern inserted article on ruling that wheat export certificates are constitutional. Sen. McGovern urged increase in dairy price supports. Sen. Jordan, Ida., urged increased appropriations for forest roads.

SENATE

1. TAXATION. Began debate on H. R. 12752, the proposed Tax Adjustment Act of 1966, which includes provisions for the graduated withholding of income tax from wages, and a requirement that this Department supply farmers with copies of information returns sent to the Internal Revenue Service on payments made under programs of the Department of \$600 or more to a single farmer in any year. pp. 4719-23, 4777-8, 4780-2, 4785-9
2. FLOOD CONTROL. The Foreign Relations Committee reported without amendment S. 2540, to authorize the conclusion of an agreement for the joint construction by

the U. S. and Mexico of an international flood control project for the Tijuana River (S. Rept. 1049) p. 4688

3. SCHOOL MILK. Sen. Proxmire criticized the budget cut for the school milk program and the Administration's proposal providing standards for furnishing milk to children on the basis of need. pp. 4702-3
Cosponsors were added to S. 2921, to provide a special milk program for children. pp. 4695, 4696
4. NATIONAL PARKS. Cosponsors were added to S. 2962, to authorize the establishment of the Redwood National Park, Calif. (pp. 4695, 4696). Sen. Metcalf spoke in support of his proposed amendment to this bill which would enlarge the proposed area to be included in the Park (pp. 4695-6).
5. FOOD FOR FREEDOM Sen. McGovern inserted the testimony of the master of the National Grange and an editorial supporting the proposed Food for Freedom program. pp. 4696-4700, 4742-7
6. WHEAT CERTIFICATES. Sen. McGovern inserted an article reporting that a Federal District Judge in Spokane, Wash., has ruled that "wheat export certificates authorized in the voluntary wheat certificate act of 1964, are constitutional." pp. 4741-2
7. DAIRY PRICE SUPPORTS. Sen. McGovern urged "an increase in our basic manufacturing milk price support to halt the liquidation of dairy herds and maintain dairy production," and stated that Secretary Freeman "has assured us that an increase in the support level will be forthcoming soon." p. 4753
8. FORESTRY. Sen. Jordan, Ida., stated that the present forest roads system is inadequate, urged additional appropriations to expand the system, and inserted an Ida. Legislature memorial in support of his position. pp. 4789-90
Sen. Byrd, W. Va., inserted an article commending the Spruce Knob-Seneca Rocks National Recreation Area, W. Va., under the jurisdiction of the Forest Service. pp. 4762-3
9. RURAL ECONOMY. Sen. Hartke inserted an address by the president of the Campbell Soup Co. on the relationship of the rural and urban economy, "The Rural-Urban Balance." pp. 4759-62
10. TRANSPORTATION. Sen. Gruening commended the President's proposal to establish a Department of Transportation. pp. 4753-4
11. FOREIGN AID. Sen. Montoya commended "the guidelines which President Johnson has set for his new foreign aid program." pp. 4732-3
12. ELECTRIFICATION. Sen. Gruening criticized the budget cut for the proposed Snettisham Dam in Alaska and stated that additional electricity is needed because of the "vast timbersale on the Tongass National Forest, and the prospective pulp and paper industries resulting therefrom." p. 4741
13. NOMINATION. Confirmed the nomination of Elmer B. Staats to be Comptroller General. pp. 4685-7

I repeat: No President and Secretary of Defense should be allowed to exercise such arbitrary and capricious power.

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2. Foreign Aid or Foreign Charade, page 12.
3. Lying in State (and Defense), page 26.
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18. "This Sordid Situation," page 255.
19. The Protege of L.B.J.—Bobby Baker, page 267.
20. "Whispering Will," page 282.
21. Testimony During Disaster—November 22, 1963, page 291.
22. The L.B.J. Co., page 301.
23. The "Gross Improprieties" of Bobby Baker, page 321.
24. Walter Jenkins, page 342.
25. Money-Man McCloskey, page 357.
26. How Much Decay? page 376.
- Notes, page 387.
- Appendixes, page 399.

EXHIBIT 2

McNAMARA ADDING 30,000 IN VIETNAM, DENIES U.S. STRAIN—10,000 MORE TROOPS ARE IN WAR AREA, WITH 20,000 ADDITIONAL ON THE WAY—FORCE TO REACH 235,000—SECRETARY SAYS MILITARY CAN MEET ALL COMMITMENTS—DISPUTES SHORTAGE CHARGE

(By Jack Raymond)

WASHINGTON, March 2.—Secretary of Defense Robert S. McNamara insisted today that the Armed Forces were not overextended or suffering shortages but were fully capable of meeting their commitments anywhere.

At a news conference, he disclosed that the United States now had 215,000 military men in South Vietnam, an increase of 10,000 over the previous official estimate. He also said that 20,000 additional men were on the way to join the war against the Vietcong.

This would bring the total commitment in South Vietnam to 235,000, not counting the offshore forces with the 7th Fleet.

Mr. McNamara, apparently including forces in neighboring Thailand, estimated total U.S. military strength in southeast Asia at 300,000 men.

MORE REQUESTS EXPECTED

He said that the current reinforcements for South Vietnam had been requested by Gen. William C. Westmoreland, the American commander there. He said he expected more such requests but did not indicate what the planned total might be.

The Defense Secretary, however, did not dispute an observation by a questioner as to the premise underlying recent articles about requirements in Vietnam. This premise was that General Westmoreland had requested reinforcement to bring his troop strength to 400,000 by the end of the year.

Mr. McNamara said that he had no current requests from General Westmoreland beyond

the 20,000 he noted today. His disclosure of the deployment of the additional troops came 5 days after President Johnson, also emphasizing that the general's requests were being met, said he had no "unfilled requests" on his desk at the moment.

TWENTY-ONE BATTALIONS AVAILABLE

It appeared that, while General Westmoreland's requests for troops in some undisclosed quantity were being fulfilled, these requests were not being announced immediately.

The Defense Secretary, who is known for his unemotional management of the Pentagon, seemed edgy and angry at times in the news conference.

In support of his rebuttal of allegations concerning troop readiness, Mr. McNamara said that 21 more trained battalions, estimated at a minimum total of 147,000 men, could be deployed to South Vietnam by July 1.

He emphasized, however, that this assertion should not be construed as a hint of their pending deployment. He said that he believed it would probably not be necessary to send that many additional forces for the fighting in Vietnam.

Mr. McNamara called the news conference at the Pentagon on 4 hours' notice. He explained he had been prompted by certain articles in the press recently that he said had given "the erroneous impression that we are dangerously overextended" because of the war in Vietnam.

If that were true, he said, it "would indeed represent a serious situation, but it is not true."

The Defense Secretary did not identify the articles he had in mind, but it is known that one was by Hanson W. Baldwin, military editor of the New York Times, which appeared February 1.

In addition to the articles, however, a speech by the chairman of the Senate Preparedness Subcommittee, JOHN STENNIS, Democrat, of Mississippi, has gained notice here. Mr. STENNIS, addressing the Reserve Officers Association last Friday night, said: "The heavy drain of Vietnam has brought on serious problems in personnel, equipment, repair parts and other materials."

Mr. STENNIS' committee has also prepared a report on Army readiness, much of which has been labeled classified by the Pentagon. Asked about it, Mr. McNamara said he had not seen the final report but that he was not standing in the way of the committee's publishing any unclassified material in it.

FINDS POSTURE IMPROVED

In advance of the news conference, Mr. McNamara issued a 3,000-word statement, drawn mostly from his testimony on United States "military posture" last week before the Senate Armed Services Committee. In the statement he declared:

"Far from overextending ourselves, we have actually strengthened our military posture."

After the news conference, Mr. McNamara's aides issued a 4,000-word statement listing 23 charges of military deficiencies and giving his answers to them.

Mr. McNamara was accompanied to the press meeting by his deputy, Cyrus R. Vance, to whom he turned a few times for corroboration, and by his Assistant Secretary for Public Affairs, Arthur Sylvester.

At one point Mr. McNamara refused to answer additional questions from one correspondent. In an exchange between them, the correspondent accused Mr. McNamara of evading his questions.

On another occasion, the Secretary flared up when a newsman with a foreign accent asked a question about the readiness of troops in Europe in view of the requirements in South Vietnam.

CALLS U.S. EFFORT "UNIQUE"

The Secretary demanded to know where the questioner was from and when he heard the answer Germany, he pointed his finger and said that the reporter should especially realize that the United States forces were ready everywhere.

"I am sick and tired of hearing the implication that we've drawn down the readiness of forces in Europe," Mr. McNamara said angrily.

Throughout the news conference he insisted that the United States' current effort in southeast Asia was "unique in our military history."

"Never before has this Nation, or any other nation, been able to place so large a force in combat in so short a period of time and some 10,000 miles from its shore without calling up reserves, extending active duty tours on a widespread basis and involving the kinds of strict economic controls normally associated with military emergencies."

CLAIMS BACKING OF CHIEFS

Repeatedly Mr. McNamara said that his views on the readiness of the American forces were shared by the Joint Chiefs of Staff. He said that there would obviously be "difficulties" and that he was not contending there were no shortages of any kind anywhere. But he stressed that the total effort must be seen in perspective.

ADDITIONAL TARGET LICENSE OVER NORTH VIETNAM

Mr. SYMINGTON. Mr. President, I was very glad to learn this morning that additional target license to attack strictly military targets has now been granted to our Air Force and Naval Air pilots who are risking their lives daily over North Vietnam, in their effort to reduce the number of soldiers, and the amount of ammunition which the Government of North Vietnam is moving through Laos down the Ho Chi Minh trails for the use of the Communist troops; their own troops, as well as those of the guerrilla organization which they have set up in South Vietnam in order to further their determination to conquer the people of South Vietnam. This latter organization, organized in 1960, the Ho Chi Minh government named the National Liberation Front.

It is my conviction and, what is more important, the conviction of high military authority, especially in the Far East theater, that this decision will result in fewer American casualties during the weeks and months to come.

It bears out the position I took upon returning from South Vietnam several weeks ago; namely, that, if these hostilities are to continue, we should either move forward or move out.

TAX ADJUSTMENT ACT OF 1966

Mr. LONG of Louisiana. Mr. President, my task today is not a pleasant one, for I rise in support of a bill, H.R. 12752, which will increase the tax payments of most American taxpayers. The members of the Finance Committee recall with nostalgia the years 1962, 1964, and 1965, years in which they were able to recommend significant tax reductions—reductions which had so much to do with the attainment of the current high levels of employment and production. Al-

though it was not a pleasant duty, there was general support for the bill when the committee voted to report it to the full Senate, for we realize that additional revenues must be raised to finance the expenditures required by the conflict in Vietnam.

The increase in expenditures attributable to our operations in Vietnam is responsible for this bill. When the Excise Tax Reduction Act of 1965 was before Congress last June, we could not anticipate that the situation in Vietnam would require the expenditure of an added \$4.7 billion in the fiscal year 1966. Nor could we anticipate that the emergency requirements of the struggle would add \$10.5 billion to Federal expenditures in the fiscal year 1967. These sharp increases have exceeded the significant increases in Federal revenues caused by the growth of the economy—increases in revenues which now approach \$7.5 billion a year.

ALTERNATIVES TO H.R. 12752

Some Senators may ask why the increased expenditures needed for Vietnam must be paid for by increased tax collections. They may argue, for example, that these expenditures could be made by reducing expenditures for the civilian needs of the Government. I am as much in favor of reducing wasteful or unnecessary expenditures as any other Senator. But the President had already trimmed civilian budget expenditures to essential minimums before he submitted the budget.

This is indicated by the fact that the 1967 budget provides for an increase in expenditures in areas not related to Vietnam of only \$600 million.

This is so despite increased interest costs for the Federal debt and the impact of pay raises for civilian employees and military personnel that the Congress approved last year, and also in spite of the fact that the Federal Reserve Board increased the cost of carrying that Federal debt by increasing interest rates.

He has achieved this result by offsetting increases in expenditures approved by Congress and normal expenditure increases under existing programs with dramatic savings in many areas. I do not believe that Congress will be able to trim expenditures under this tight budget to the extent necessary to finance the war in Vietnam. In fact, Congress has already approved a new GI bill which will increase budget expenditures.

I can only conclude that it is unrealistic to expect Congress to be able to match increased Vietnam expenditures with reductions in other areas of the Federal budget.

Of course, we could borrow to pay for expenditures in Vietnam. This approach, however, would encourage inflation. From 1961 to mid-1965, we could safely approve bills, such as the tax reduction bills, that would initially create the need for Government borrowing because there was slack in the economy. During those years some doubted whether the rate of unemployment in the civilian labor force would ever again be as low as 4 percent. Under those circumstances, the stimulus of tax reductions resulted in an increase in em-

ployment rather than an increase in prices.

The situation is different now. The policies of the past several years have achieved their objective. The slack in the economy has been taken up. In January the rate of unemployment in the civilian labor force dropped to 4 percent for the first time since 1957. Capacity utilization figures indicate that industry is now using almost as much of its available plant and equipment as it prefers to use. We have reached the point in which sharp increases in Government expenditures must be met by increased revenues if we are to avoid the risk of inflationary price increases.

WHAT THE BILL WILL ACHIEVE

Let me now turn to the bill itself. It is designed to raise revenues for both the fiscal years 1966 and 1967. The provisions of the bill increase revenues in the current fiscal year by \$1.1 billion. They will add \$4.8 billion to receipts in fiscal year 1967 over and above the amount that would be generated under existing tax rates.

These amounts differ only slightly from the effect of the provisions recommended by the President, which would have increased administrative budget receipts by \$1.2 billion in fiscal 1966 and \$4.8 billion in fiscal 1967.

These revenues will be sufficient to reduce the anticipated administrative-budget deficit for the fiscal year 1966 from \$7.6 to \$6.5 billion. In the fiscal year 1967, the added revenues provided by this bill will reduce the administrative-budget deficit to \$1.9 billion. In the absence of the bill, the 1967 deficit would be \$6.7 billion, or only slightly less than the 1966 deficit.

When the revenues and expenditures of the trust funds are considered, the results of this bill will be even more significant. The consolidated cash budget deficit anticipated for the current fiscal year will be reduced from \$8.1 to \$7.0 billions. In the fiscal year 1967, the deficit will be eliminated entirely and a small surplus achieved as a result of a \$5.0 billion increase in cash receipts under this bill.

The increase in tax payments required by this bill will moderate the expenditures of households and business firms. The most important provision affecting tax collections is one which accelerates the transition to full current payment of estimated corporate tax liabilities in excess of \$100,000. Some 16,000 large corporations are affected.

Many of these corporations set aside funds to meet tax liabilities as those liabilities accrue, often by purchasing tax-anticipation notes. Some corporations, however, will have to postpone investment outlays or forego dividends to provide the cash to meet their tax payments. Such postponements will not impair economic stability, since business expenditures for fixed investment are currently at very high levels. These levels are so high in fact that some economists are concerned about the possibility of a repeat of the experience in 1956 and 1957.

The postponement of some planned investment, therefore, may well be con-

ducive to the maintenance of the proper balance between investment in expanded capacity and growth in the demand for the goods produced by that capacity.

The graduated withholding procedure contained in the bill will moderate consumer expenditures. After May 1, the amount of tax withheld from wages and salaries will be increased by about \$100 million a month during the rest of 1966 and in the first few months of 1967. The additional amounts withheld will be offset as far as individual taxpayers are concerned by lower tax payments due in the spring of 1967 or through tax refunds. Some consumer spending, however, will have to be postponed during the rest of 1966 and in the early part of 1967.

The bill is also important to our balance of payments. It is essential to the success of our efforts to eliminate the persistent deficit in the U.S. balance of payments that inflation be prevented. Inflationary increases in the prices of the goods the U.S. exports would discourage export sales. This development would narrow or close our favorable trade balance. A serious outflow of gold would be the result.

EFFECT ON TAX LIABILITIES

The bill will accomplish the effects I have outlined without requiring significant increases in tax liabilities. The various changes in collection procedures proposed in the bill will speed up the collection of existing liabilities. In other words, the timing of tax collections will be changed so that some revenues will be collected in fiscal year 1966 that would not otherwise be collected until fiscal 1967. Even larger amounts will be collected in fiscal 1967 that would not otherwise be collected until fiscal 1968 and later years.

The changes in collection procedures include graduated withholding, quarterly payments of estimated social security taxes by the self-employed, tighter requirements regarding payments on declarations, and an earlier completion of the transition to full current payment of corporate tax liabilities in excess of \$100,000.

The excise tax provisions of the bill will restore the tax rates on telephone service and passenger automobiles which were in effect at the end of 1965. The bill simply freezes these rates for 2 years, or until April 1, 1968. At that time the excise tax rates will fall to the levels that would have been reached at that time if the provisions of the Excise Tax Reduction Act of 1965 remained in effect.

The revenue impact of the bill is largely temporary in the sense that the changes in collection procedures will produce only a temporary increase in revenues rather than a continuing increase. Such an effect is appropriate at this time. While there has been much speculation about it, we do not know what the financial requirements of the war in Vietnam will be beyond the relatively near term. Therefore, it is appropriate that we should plan our taxes at this time on the basis of the figures in the President's budget.

As for fiscal 1968, it is important to remember that Federal revenues will in-

crease as a result of the growth of the economy. At the near full employment levels at which we are now operating, this increase amounts to \$7 or \$8 billion a year, or an amount significantly greater than the addition to revenue provided by this bill in fiscal 1967. As the temporary revenues attributable to changes in the timing of tax collections taper off, they will be replaced by increased revenues due to economic expansion.

It may very well turn out that the growth in revenues due to growth will be sufficient to meet the future costs of the defense of Vietnam, even if our efforts there must be continued for several additional years.

THE BILL IS FAIR

The provisions of this bill spread the cost of defense expenditures over a broad cross section of the population in an equitable manner. The provisions which will raise the most revenue—those concerning corporate tax payments—will affect the Nation's largest corporations and their stockholders.

Graduated withholding will affect a majority of the over 60 million taxpaying wage earners who do not file declarations of estimated tax. Self-employed persons, who are not subject to wage withholding, will be affected by the revised requirement for payments of estimated tax and by the provision for the quarterly payment of estimated self-employment social security tax.

Restoring the December 1965 rates for the manufacturer's excise on passenger automobiles and for the tax on telephone service will affect a very broad group of American consumers. These consumers, furthermore, are ones who, by and large, have been accustomed to paying these tax rates ever since the Korean emergency.

PROVISIONS OF THE BILL

Let me now take up the individual provisions of the bill in more detail. As reported by your committee, H.R. 12752 incorporates the essential features of the bill approved by the House, which in turn reflected the President's proposals of January 13.

Your committee made four substantive amendments to the House bill and a number of technical amendments. Two of the substantive amendments, which I will describe shortly, amend provisions of the House bill. The others, which I will also describe, add new provisions to the bill.

The provisions of the bill may be divided into two categories. In the first category are those provisions which are intended solely to raise revenues. These provisions, which account for the bulk of the revenue in this bill, include the acceleration of corporate income tax payments and the excise tax proposals. The second category includes desirable changes in collection procedures, which, because they entail a temporary increase in tax collections, can only be introduced when an increase in revenue is appropriate. The measures in this category include graduated withholding, quarterly payments of estimated social security tax by the self-employed, and tighter regulations on payments of estimated tax.

GRADUATED WITHHOLDING

The first provision of the bill relates to graduated withholding. It replaces the present 14 percent, flat-rate withholding system with a more accurate system which will align the amounts withheld from wages more closely to the final liability of most wage earners.

Under the present system, taxpayers rarely find that the amount of tax withheld from their wages comes close to the amount which they actually owe at the end of the year. This is important because more than 9 out of 10 wage earners depend on withholding alone to make current payments on their income tax.

When tax withheld falls short of the final liability, as it would on nearly 13 million returns this year if no change were made in the withholding system, the taxpayer has a bill to pay when he files his final return. If this balance-due amount is unexpected or large, as it was for many taxpayers in the spring of 1965, it can cause financial hardship.

When the amount withheld exceeds the tax liability, as it would on nearly 40 million returns filed this year if the present system were not changed, the taxpayer must wait until he files his final return to receive the appropriate refund.

The bill substitutes six graduated withholding rates, ranging from 14 to 30 percent, for the present single rate of 14 percent. The rates reflect the tax rates which apply to the first \$12,000 of a single person's taxable income and the first \$24,000 of a married couple's taxable income.

Two separate schedules and sets of withholding tables are provided, one for single persons and heads of households, and the other—with wider brackets to reflect the split-income provisions—for married persons and surviving spouses.

The graduated withholding system also incorporates the minimum standard deduction, a feature not now reflected in the withholding system. The graduated system does so by increasing the amount of a withholding exemption to \$700 and by providing that the first \$200 of annual wages is to be exempted from withholding. This treatment parallels the minimum standard deduction, which is equivalent to a basic \$200 amount for married couples, heads of households, and single persons, plus an additional \$100 for each exemption.

The graduated rates will apply to wages paid on or after May 1 of this year. Individuals will want to file new withholding exemption certificates with their employers at that time. This will especially be true of the many persons who now deliberately understate their eligible exemptions so that more will be withheld from their wages. If this bill is enacted, these voluntary adjustments to increase withholding will not be necessary in most cases.

Under the present withholding system, persons who itemize their deductions, and have deductions in excess of 10 percent of their income, are likely to be overwithheld in the sense that the amounts withheld from their wages exceed their final liability. This is the case because the present withholding

system provides only a 10-percent allowance for deductions while many of those who itemize have deductions which are a larger proportion of their income.

Under the graduated withholding rates, which provide the same allowance for deductions, overwithholding due to itemized deductions would be increased, in some cases very substantially. Therefore, this bill contains a provision which will permit persons with relatively large itemized deductions to adjust their withholding by claiming special withholding allowances. These allowances, which can be claimed beginning in 1967, will be treated like additional exemptions for withholding purposes.

The committee has amended the House bill to modify the procedure for claiming withholding allowances. Under the House bill, withholding allowances would be based on the amount by which estimated itemized deductions exceeded a base level equivalent to 12 percent of estimated wage income of \$7,500 or less and 17 percent of estimated wage income above this level. One withholding allowance would have been given under the House bill with respect to each full \$700 of such excess with the exception that the first withholding allowance could have been claimed if excess itemized deductions exceeded \$350.

As amended by your committee, the bill now provides that withholding allowances will be based on the excess of estimated itemized deductions over 10 percent of wages up to \$7,500 and 17 percent of wages over this amount. Furthermore, no withholding allowance can be claimed unless such excess is equal to a full \$700.

This amendment by your committee is supported by the Treasury. Under the House bill, some individuals could have corrected their overwithholding by filing for withholding allowances only to find that they owed money at the end of the year.

Your committee feels that this result would be undesirable. Thus, it has required that excess itemized deductions must equal a full \$700 before a withholding allowance can be claimed. The purpose of the provision in the House bill was to make it easier for persons with incomes of less than \$10,000 to claim withholding allowances.

Your committee's amendment achieves much of this purpose by reducing the limit above which excess itemized deductions are computed from 12 percent of income below \$7,500 to 10 percent.

As a safeguard, estimated itemized deductions will not be permitted to exceed the deductions claimed on the last return filed, nor will estimated wage income be permitted to be less than that earned in the past year.

ESTIMATED SELF-EMPLOYMENT TAX

The second provision of this bill requires self-employed persons to pay their estimated self-employment social security tax quarterly in the manner in which they are now paying their estimated income tax. Under present law, wage and salary earners covered by the social security system pay their annual social security tax currently through withholding. Self-employed persons do not pay

their tax currently, however, but are permitted instead to delay payment until the following year.

This bill places self-employed persons on the same current-payment basis with respect to their social security tax liability which employees are now on. It does so by requiring them to make quarterly payments of estimated self-employment tax beginning in 1967.

The quarterly payments of social security tax will be combined with quarterly payments of income tax. The rules presently applicable to the declaration and quarterly payment of estimated income tax will, beginning in 1967, apply to the total of estimated income tax and estimated self-employment social security tax.

UNDERPAYMENTS OF INSTALLMENTS OF ESTIMATED TAX

The third provision in the bill relates to the provisions for filing declarations of estimated tax. Prior to 1954, taxpayers who failed to pay at least 80 percent of their final liability currently, either through withholding, quarterly payments, or both, unless certain exceptions applied, were subject to a penalty equal to 6 percent interest calculated on the difference between the amount paid currently and 80 percent of the liability. In 1954, the percentage limit for defining underpayments of installments of estimated income tax was reduced from 80 to 70 percent.

Your committee's bill restores the percentage to 80 percent. It also makes a comparable increase in the percentage applying when a taxpayer, for one or more quarters, computes his estimated tax by annualizing his income received to date.

ACCELERATION OF CORPORATE TAX PAYMENTS

The fourth provision in the bill relates to the acceleration of corporate income tax payments. Corporations with an estimated tax liability in excess of \$100,000 presently are required to pay a part of their estimated liability in excess of \$100,000 during the current taxable year. The portion to be paid currently is being increased from year to year in accordance with a schedule set down in the Revenue Act of 1964.

Under this schedule, corporations will be fully current with respect to their estimated tax in excess of \$100,000 by 1970. Your committee's bill simply accelerates the transition to full current payment so that it will be completed in 1967 rather than 3 years later.

Under the present schedule, corporations using a calendar year accounting period would file their initial declaration and pay 9 percent of their estimated 1966 liability in excess of \$100,000 on April 15 of this year. On June 15 they would pay an additional 9 percent of the estimated liability and on September 15 and December 15 they would pay installments of 25 percent on each date.

Under the bill, the payments due in April and June 1966, will be increased to 12 percent of the estimated liability and the amounts due in April and June 1967 will be increased from 14 to 25 percent of the estimated liability.

THE EXCISE TAXES ON PASSENGER AUTOMOBILES AND TELEPHONE SERVICE

The fifth and sixth provisions of the bill concern the manufacturer's excise tax on passenger automobiles and the tax on telephone and teletypewriter service. The bill imposes a moratorium on some of the rate reductions provided for these two excises by the Excise Tax Reduction Act of 1965.

The moratorium, which will last from the time this bill is passed until April 1, 1968, will freeze these rates at the levels which existed in December 1965. That is, the tax on passenger automobiles will be restored to 7 percent on the day following the date this bill is enacted and will remain at 7 percent until April 1, 1968. On the latter date, it will fall to 2 percent and on January 1, 1969, it will drop to the permanent level of 1 percent.

The tax on telephone service will be restored to 10 percent with regard to bills rendered after the first day of the first month after the date of enactment. It will remain 10 percent until April 1, 1968, when it will fall to 1 percent. On January 1, 1969, the tax will be repealed.

The committee made one important amendment in the bill approved by the House. The amendment concerns the manufacturer's excise on passenger automobiles. Under the House bill, automobile dealers and distributors would have been liable for a tax equal to 1 percent of the manufacturer's price with respect to each car they held in inventory on the day the tax was restored to 7 percent.

It has come to the attention of your committee that dealers would have many problems with respect to this tax. It might be difficult for them to gain customer acceptance of the tax since this amount would not be reflected in the posting attached to new cars which indicates the intended retail price.

Dealers, moreover, might have to wait for a substantial period in some cases before collecting the tax through sale of the car to a customer.

Because of these problems your committee amended the bill to delete the floor stocks tax with respect to cars held in dealers' inventories on the day the tax is increased to 7 percent.

The proposals in the bill regarding the excises on automobiles and telephone service were made with reluctance. The members of the committee are well aware that it is desirable to repeal these taxes in the long run. Nevertheless, there are convincing reasons for imposing a moratorium on reductions on the rates of these excises at the present time.

In the first place, these two excises generate significant revenue. Revenue is, first and foremost, the reason for this bill. It would require a combination of many other excise taxes, all equally undesirable, to match the revenue that will be obtained from these two taxes. Moreover, payments of individual income tax and corporate income tax are already being temporarily increased under other provisions of the bill.

In the second place, it is much

simpler matter from the administrative standpoint to increase the rates of an existing tax than it is to reimpose a tax that has been repealed. The machinery for collecting the tax is currently in existence and would not have to be reestablished.

Third, it is evident from the action taken last year that Congress considered that repeal of these two taxes was less urgent than the repeal of numerous other excise taxes.

Finally, these two excises affect a broad cross section of the population. Thus, the burden of these excises is more widely distributed than the burden of other excises.

COMMITTEE AMENDMENTS

The seventh and eighth provisions in this bill are amendments added by your committee. The first of these amendments relates to certain indirect contributions to political parties. It was brought to the attention of your committee that there are inconsistencies in the tax treatment of expenses for placing ads in the convention program of a political party or in another political publication. There is also some confusion over the status of payments for admissions for fundraising dinners or programs and for amounts paid for admission to an inaugural ball, gala, or similar event.

To clarify the tax treatment of such expenses, your committee has added an amendment providing that no deduction will be allowed for the cost of advertising in a convention program or other publication if any part of such expense inures to a political party or candidate. Similarly, payments for admission to any dinner or program are not deductible if part of the proceeds inures to a political party or candidate. Finally, no deduction is allowed for tickets to an inaugural ball, gala, or similar event.

The second committee amendment concerns payments made by the Department of Agriculture with respect to such programs as the soil bank. This provision will require the Department of Agriculture to supply farmers with copies of information returns sent to the Internal Revenue Service. Such returns are sent to the Service whenever all payments made in any one year to a single farmer total \$600 or more. Your committee believes that farmers should receive the same information with respect to payments derived from Government that recipients of dividends and interest payments receive from private corporations and payors.

CONCLUSION

The need for the revenues that will be provided by this bill is clear. Senators must keep this need in mind when appraising the bill. No one derives satisfaction from the thought that many Americans will have increased taxpayments to make as a result of this bill. But when we are tempted to delete or postpone any of the provisions of this bill, we must remember that the situation in Vietnam requires some sacrifices on the part of us all—not just those who are doing the fighting. From this standpoint, the only responsible way to

meet the expenses of Vietnam is through the approach adopted in this bill.

REPORTS OF EXPENDITURES OF FOREIGN CURRENCIES AND APPROPRIATED FUNDS

Mr. HAYDEN. Mr. President, in accordance with the Mutual Security Act of 1954, as amended, I ask unanimous consent to have printed in the RECORD the reports of the Committee on Aero-

nautical and Space Sciences, the Committee on Rules and Administration, the Joint Economic Committee, the Select Committee on Small Business and, in addition, the reports from the following interparliamentary groups:

Fifth Mexico-United States Interparliamentary meeting, La Paz, Mexico;

British-American Parliamentary Conference, Bermuda;

Spring meeting, Interparliamentary Union, Dublin, Ireland.

Interparliamentary Union Conference, Ottawa, Canada; and

Eighth meeting, Canada-United States Interparliamentary Group, Senate delegation, Ottawa and Montreal.

These reports reflect the foreign currencies and U.S. dollars utilized by the above in 1965 in connection with foreign travel.

There being no objection, the reports were ordered to be printed in the RECORD, as follows:

Report of expenditure of foreign currencies and appropriated funds by the Committee on Aeronautical and Space Sciences, U.S. Senate, between Jan. 1 and Dec. 31, 1965

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Cannon, Howard: France	Franc	300	61.22	290	59.22	98	20.00	292	59.56	980	200.00
Young, Stephen: France	do.	300	61.22	319	65.00	98	20.00	263	53.78	980	200.00
Galloway, Ellene: Japan	Yen	35,270	97.97	41,130	114.25	14,400	40.00	9,200	25.56	100,000	277.78
Do.	Guilder ¹					5,714.68	1,589.01				1,589.01
Voorhees, Craig: France	Franc	300	61.22	315	64.29	20	4.08	20	4.08	655	133.67
Gehrig, James J.: France	do.	300	61.22	315	64.29	20	4.08	80	16.33	715	145.92
Total			342.85		367.05		1,677.17		159.31		2,546.38

¹ Air transportation purchased by State Department with Dutch guilders.

Foreign currency (U.S. dollar equivalent) (total)

RECAPITULATION

Amount
2,546.38

FEBRUARY 25, 1966.

CLINTON P. ANDERSON,
Chairman, Committee on Aeronautical and Space Sciences.

Report of expenditure of foreign currencies and appropriated funds by the Committee on Rules and Administration, U.S. Senate, between Jan. 1, and Dec. 31, 1965

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
John F. Haley: England	Pound	39-5-8	110.00	17-4-4	48.20	14-1-4	39.40	7	19.60	17-11-4	217.20
France	New franc	632.50	126.50	411	82.20	210.50	42.10	131	26.20	1,385	277.00
	Deutsche mark ¹					3,177.60	794.40				794.40
Total			236.50		130.40		875.90		45.80		1,288.60

¹ Airline ticket, Washington, New York, Paris, London, Washington.

Foreign currency (U.S. dollar equivalent)

RECAPITULATION

Amount
1,288.60

JANUARY 11, 1966.

B. EVERETT JORDAN,
Chairman, Committee on Rules and Administration.

Report of expenditure of foreign currencies and appropriated funds by the Joint Economic Committee, U.S. Senate, between Jan. 1, and Dec. 31, 1965

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Hale Boggs:	Pound	20-0-0	56.00	15-13-2	44.00			19-2-8	42.50	55-13-2	100.00
New Zealand	do	30-0-0	67.50	40-0-0	90.00			114.80	20.00	89-2-8	200.00
Australia	HK\$	859.15	150.00	459.20	80.00					1,433.15	250.00
Hong Kong	Plaster	727	10.00	1,142	15.69					1,869	25.69
Vietnam											
Subtotal			283.50		229.69				62.50		575.69
Argyll Campbell:	Pound	13-16	38.64	11-11-4	31.12			10-16	30.24	35-13-2	100.00
New Zealand	do	30-0-0	67.50	45-0-0	101.25			13-9-8	31.25	89-2-8	200.00
Australia	HK\$	547.15	100.00	746.20	130.00	25.00	4.34	112.80	20.00	1,458.15	254.34
Hong Kong	Plaster	639	8.77							639	8.77
Vietnam											
Subtotal			214.91		262.37		4.34		81.49		563.11
Jacob K. Jayits:	Pound	33.6	90.00	23.0	60.00	6.0	20.00	9.0	30.00	71.60	200.00
England	Franc	396.9	81.00	294.0	60.00	24.5	5.00	19.6	4.00	735.00	150.00
France											
Subtotal			171.00		120.00		25.00		24.00		350.00
Robert Ellsworth:	Pound	15-10-0	43.68	14-9-4	40.51			30-0-0	84.00	59-21-4	168.19
England	Franc	1,673	33.46	1,500	30.00			1,927	38.54	5,100	102.00
Belgium	do	602	122.81	600	122.40			448	91.39	1,650	336.60
France	Lire	18,774	30.04	20,500	32.80			44,991	71.85	84,265	134.69
Italy											
Subtotal			229.99		225.71				285.78		741.48
Henry S. Reuss:	Pound	10-11-0	29.54	2-3-9	6.11	0-10-0	1.40	0-5-0	.70	13-9-9	37.75
England	Franc	1,499	29.98	959	19.18			1,550	111.00	3,008	60.16
Belgium	do	327	65.40	303	60.60	12	2.40	8	1.60	650	130.00
France											
Subtotal			124.92		85.89		3.80		13.30		227.91
Herman E. Talmadge:	Franc	431.40	100.00	324	75.00	3,663.60	915.90	108	25.00	863.40	200.00
Switzerland	Deutschmark ²									3,663.60	915.90
West Germany											
Subtotal			100.00		75.00		915.90		25.00		1,115.90
Donald A. Webster:	Pound	17-2-6	47.65	9-18-0	27.72	2-0-0	5.60	4-6-0	12.01	33-6-4	93.28
England	Franc	1,000	20.00	650	13.00			310	6.20	1,960	39.20
Belgium	do	325	65.00	385	77.00	75	15.00	100	20.00	885	177.00
France	Lire	29,270	46.83	26,500	42.41	8,000	12.80	10,000	16.00	73,750	118.04
Italy	Deutschmark ²					3,722.80	930.47			3,722.80	963.87
Germany											
Subtotal			179.78		169.13		963.87		54.21		1,357.99
Total			1,304.10		1,158.79		1,912.91		556.23		4,932.08

¹ Check for \$11 sent to U.S. Treasurer Nov. 24, 1965, because this currency was used for personal purpose.

² Round-trip transportation purchased by State Department.

RECAPITULATION

Foreign currency (U.S. dollar equivalent)..... Amount
4,932.08
MARCH 1, 1966. WRIGHT PATMAN,
Chairman, Joint Economic Committee.

Report of expenditure of foreign currencies and appropriated funds by the Committee on Small Business, U.S. Senate, between Jan. 1 and Dec. 31, 1965

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Robert R. Locklin:	Peseta	4,494.50	75.00	7,484.4	125.00			2,995	50.00	14,973.9	250.00
Spain	Franc	539	110.00	490	100.00			196	40.00	1,225	250.00
France	Pound	42-16-4	120.00	35-13-8	100.00			10-14-1	30.00	89-4-1	250.00
United Kingdom	Guilder					2,900.00	806.45				806.45
Netherlands											
Daniel T. Coughlin:	Peseta	4,494.50	75.00	5,900	100.00			1,497.50	25.00	11,982	200.00
Spain	Franc	431.20	88.00	392	80.00			156.80	32.00	980	200.00
France	Pound	42-16-4	120.00	35-13-8	100.00			10-14-1	30.00	89-4-1	250.00
United Kingdom	Guilder					2,900.00	806.45			2,900.00	806.45
Netherlands											
Total			588.00		605.00		1,612.90		207.00		3,012.90

RECAPITULATION

Foreign currency (U.S. dollar equivalent)..... Amount
3,012.90
MARCH 1, 1966. JOHN SPARKMAN,
Chairman, Committee on Small Business.

a policeman in addition to the charge of possession of barbiturates. Herbst, who gave his address as 8 Vera Avenue, Plainview, is also charged with violation of parole for a 1964 burglary and grand larceny conviction. He was paroled from Elmira last June. The parole can be revoked by probation department officials, and Herbst would have to serve the remaining 7 months of his 3-year sentence.

[From Newsday, Feb. 15, 1966]

MASSAU TASK FORCE TO HEAR "IN" TEENS ON DRUGS

EAST MEADOW.—The Nassau County Task Force on Narcotics is planning to invite high school students from "in" groups to speak at its convention March 19 at C. W. Post College in Brookville.

"He need not be the student council president," said Dr. Benjamin Ringer, an associate professor of sociology at Hunter College. "We are looking for the student who is on the 'in.'"

Ringer said he believes that students who know what's going on at school may offer a view of "the grassroots of the (narcotics) problem." Oyster Bay Town Supervisor Michael N. Petito, chairman of the task force, agreed. "We might learn firsthand how it [the drug problem] affects the student, how it is transmitted," he said. "You would be amazed how many students know what's going on."

The Brookville convention plans to bring together an estimated 200 educators and public officials. Petito said that representatives of Nassau and Suffolk's 120 public school districts, as well as of Long Island parochial schools, will be invited.

On another level of the county campaign against narcotics, District Attorney Cahn will discuss addiction tomorrow night at 7 in a speech before the Nassau Lawyers' Association at McCluskey's Restaurant in Bellmore.

[From Newsday, Feb. 15, 1966]

ACT OF COURAGE

Frederick De Marr, dean of students at C. W. Post College, a part of Long Island University, heard rumors recently that drugs were being peddled and used on the campus. He might have shrugged his shoulders. He might have swept the whole thing under the rug, fearing adverse publicity for the college. He did neither. He conducted his own investigation, and then called the police, who arrested one of his students for possession of narcotics along with a former student.

This was an act of courage as well as of integrity. We commend it to all other educators on Long Island at every school level to pursue the same course. The evil of drug addiction must be stamped out wherever it exists. Educators owe that to parents as well as to children. High marks, therefore, to Dean De Marr and Chancellor R. Gordon Hoxie.

ORDER OF BUSINESS

Mr. WILLIAMS of Delaware. Mr. President—

The PRESIDING OFFICER. Does the Senator from Connecticut [Mr. RIBICOFF] desire to be recognized?

Mr. WILLIAMS of Delaware. Has the morning business closed?

The PRESIDING OFFICER. Morning business is still in order.

Mr. WILLIAMS of Delaware. Mr. President, has the tax measure been laid before the Senate?

The PRESIDING OFFICER. It has not.

Mr. WILLIAMS of Delaware. Mr. President, the chairman of the commit-

tee just made his speech and there was no bill pending before the Senate.

The PRESIDING OFFICER. The unfinished business has not been laid before the Senate.

Mr. WILLIAMS of Delaware. The acting majority leader, the chairman of the Committee on Finance, tells me that he will lay the measure before the Senate this afternoon.

Mr. LONG of Louisiana. Mr. President, the bill is the pending business as soon as the morning hour is completed. I have a commitment which requires that I be absent for the next hour. However, I shall be available to answer any questions that the Senator wishes to ask.

Mr. WILLIAMS of Delaware. Mr. President, I was wondering when we would get to the measure, and that is what confused me. This measure will be made the pending business this afternoon?

Mr. LONG of Louisiana. The bill is the unfinished business and will be the pending business as soon as the morning hour is completed.

Mr. WILLIAMS of Delaware. Is it the pending business before the Senate?

The PRESIDING OFFICER. It is the unfinished business. However, it has not been laid before the Senate.

Mr. WILLIAMS of Delaware. The bill has not been laid before the Senate at this time?

The PRESIDING OFFICER. The Senator is correct. We are still in the morning business.

Mr. WILLIAMS of Delaware. Mr. President, I shall not seek recognition now. After the morning business is over, I shall be seeking recognition. We are under the 3-minute rule now, are we not?

The PRESIDING OFFICER. We are under the 3-minute limitation by unanimous consent.

Is there further morning business? If not, morning business is concluded.

The Senator from Connecticut.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that I may yield to the Senator from Louisiana [Mr. LONG], the Senator from Illinois [Mr. DOUGLAS], and after that to the Senator from Kansas [Mr. CARLSON], without losing my right to the floor.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. RIBICOFF. I am happy to yield.

Mr. CARLSON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CARLSON. Has the tax bill, H.R. 12752, been laid down following the completion of morning business?

The PRESIDING OFFICER. It has not been laid down, and will not be until the close of the morning hour, which is at 2 o'clock.

CONCLUSION OF MORNING BUSINESS

Mr. LONG of Louisiana. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG of Louisiana. Has not the morning hour been concluded?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

TAX ADJUSTMENT ACT OF 1966

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of H.R. 12752.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported by the Committee on Finance with amendments on page 32, line 2, after the word "of", to strike out "12" and insert "10"; at the beginning of line 5, to strike out "If the number determined under the preceding sentence is not a whole number, the fraction shall be disregarded; except that, if the number determined is one-half or more but less than one, it shall be increased to one." and insert "For purposes of this subsection, fractional numbers shall not be taken into account."; in line 22, after the word "than", to insert "(i)"; in line 24, after the word "estimation", to strike out "year" and insert "year, or (ii) in the case of an employee who did not show such deductions on his return for such preceding taxable year, an amount equal to the lesser of \$1,000 or 10 percent of the wages shown on his return for such preceding taxable year"; on page 33, line 22, after the word "year", where it appears the second time, to strike out "(or if the employee has filed a return for the preceding calendar year, and if he has in effect a withholding allowance under this subsection based on using the current calendar year as the estimation year, such current calendar year)" and insert "(except that with respect to an exemption certificate furnished by an employee after he has filed his return for the preceding calendar year, such term means the current calendar year)"; on page 35, after line 11, to strike out:

"(D) LIMITATION.—The Secretary or his delegate may by regulations provide that one or more of the withholding allowances to which an employee would, but for this subparagraph, be entitled under this subsection shall be denied because such employee's estimated wages are above the level at which the amounts deducted and withheld under this chapter are generally sufficient to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld.

And, in lieu thereof, to insert:

"(D) LIMITATION.—In the case of employees whose estimated wages are at levels at which the amounts deducted and with-

held under this chapter generally are insufficient (taking into account a reasonable allowance for deductions and exemptions) to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, the Secretary or his delegate may by regulation reduce the withholding allowances to which such employees would, but for this subparagraph, be entitled under this subsection.

On page 36, after line 8, to strike out:

"(E) AUTHORITY TO PRESCRIBE TABLES.—The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. Such tables may be based on reasonable wage and itemized deduction brackets.

At the beginning of line 15, to strike out "(F)" and insert "(E)"; in line 18, after the word "withholding", to strike out "exemption." and insert "exemption."; after line 18 to insert:

"(4) AUTHORITY TO PRESCRIBE TABLES.—The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of withholding allowances to which they are entitled under this subsection (in lieu of making such determination under paragraphs (1) and (3)). Such tables shall be consistent with the provisions of paragraphs (1) and (3), except that such tables—

"(A) shall provide for entitlement to withholding allowances based on reasonable wage and itemized deduction brackets, and

"(B) may increase or decrease the number of withholding allowances to which employees in the various wage and itemized deduction brackets would, but for this subparagraph, be entitled to the end that, to the extent practicable, amounts deducted and withheld under this chapter (1) generally do not exceed the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, and (ii) generally are sufficient to offset such liability for tax."

On page 38, at the beginning of line 11, to strike out "(1) that the wages (within the meaning of chapter 24) shown on his return for any taxable year were less than such wages actually shown, or (2) that the itemized deductions referred to in section 3402(m) on the return for any taxable year were greater than such deductions actually shown, he shall pay a penalty of \$50 for each such statement" and insert "(1) as the amount of the wages (within the meaning of chapter 24) shown on his return for any taxable year an amount less than such wages actually shown, or (2) as the amount of the itemized deductions referred to in section 3402(m) shown on the return for any taxable year an amount greater than such deductions actually shown, he shall pay a penalty of \$50 for each such statement"; on page 45, after line 5, to insert:

(4) Section 6211(b)(1) (relating to definition of a deficiency) is amended by striking out "chapter 1" and inserting in lieu thereof "subtitle A".

At the beginning of line 9, to strike out "(4)" and insert "(5)"; at the beginning of line 18, to strike out "(5)" and insert "(6)"; on page 49, after line 16, to strike out:

(b) FLOOR STOCK TAX. Section 4226 (relating to floor stock taxes) is amended—

(1) By adding at the end of subsection (a) the following new paragraph:

"(8) 1966 TAX ON AUTOMOBILES. On any article subject to tax under section 4061(a) (2) which on the day after the date of the enactment of the Tax Adjustment Act of 1966 is held by a dealer and has not been used and is intended for sale, there is imposed a floor stocks tax at the rate of 1 percent of the price for which the article was sold by the manufacturer, producer, or importer. Under regulations prescribed by the Secretary or his delegate, the tax imposed under this paragraph shall be paid by such dealer and shall be collected from him by the manufacturer, producer, or importer."

(2) By amending subsection (d)—

(A) by striking out "and except" and inserting in lieu thereof "except", and

(B) by striking out "delegate." and inserting in lieu thereof "delegate, and except that the tax imposed by paragraph (8) shall be paid at such time after 60 days after the date of enactment of the Tax Adjustment Act of 1966 as may be prescribed by the Secretary or his delegate."

(c) CONFORMING AMENDMENTS.

(1) Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1966, 1967, 1968, or 1969," and inserting in lieu thereof "January 1, 1966, April 1, 1968, or January 1, 1969,".

(2) Section 209(c)(1)(G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out "section 4226(a)" and inserting in lieu thereof "section 4226(a) (other than paragraph (8) thereof)".

And, in lieu thereof, to insert:

(b) CONFORMING AMENDMENT.—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1966, 1967, 1968, or 1969," and inserting in lieu thereof "January 1, 1966, April 1, 1968, or January 1, 1969,".

On page 51, at the beginning of line 14, to strike out "(d)" and insert "(c)"; on page 53, after line 12, to insert a new title, as follows:

TITLE III—MISCELLANEOUS PROVISIONS

After the amendment just above stated, to insert:

SEC. 301. DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

(a) DISALLOWANCE.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

"(a) DISALLOWANCE OF DEDUCTIONS.—No deduction otherwise allowable under this chapter shall be allowed for any amount paid or incurred for—

"(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inure (or is intended to inure) to or for the use of a political party or a political candidate,

"(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inure (or is intended to inure) to or for the use of a political party or a political candidate, or

"(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

"(b) DEFINITIONS.—For purposes of this section—

"(1) POLITICAL PARTY.—The term 'political party' means—

"(A) a political party;

"(B) a National, State, or local committee of a political party; or

"(C) a committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions (as defined in section 271(b)(2) or make expenditures (as defined in section 271(b)(3)) for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any Federal, State, or local elective public office, or the election of presidential and vice-presidential electors, whether or not such individual or electors are selected, nominated, or elected.

"(2) PROCEEDS INURING TO OR FOR THE USE OF POLITICAL CANDIDATES.—Proceeds shall be treated as inuring to or for the use of a political candidate only if—

"(A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and

"(B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office).

"(c) CROSS REFERENCE.—

"For disallowance of certain entertainment, etc. expenses, see section 274."

(b) CLERICAL AMENDMENT.—The table of sections for such part IX is amended by adding at the end thereof the following new item:

"Sec. 276. Certain indirect contributions to political parties."

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of this Act.

And, on page 56, after line 2, to insert:

SEC. 302. INFORMATION RETURNS MADE BY DEPARTMENT OF AGRICULTURE.

(a) FILING BY SECRETARY OF AGRICULTURE OR HIS DESIGNEES.—Section 6041 (relating to information at source) is amended by adding at the end thereof the following new subsection:

"(e). PAYMENTS BY DEPARTMENT OF AGRICULTURE.—

"(1) RETURNS TO BE MADE BY SECRETARY OF AGRICULTURE.—In the case of any payments, for which returns are required under subsection (a), made under any program administered by the Department of Agriculture, the returns required under subsection (a) shall be rendered by the Secretary of Agriculture or by one or more officers or employees of the Department of Agriculture designated by the Secretary of Agriculture to make such returns on his behalf.

"(2) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED. The Secretary of Agriculture, or the officer, or employee of the Department of Agriculture designated by him to render any return to which paragraph (1) applies, shall furnish to each person whose name is set forth in such return a written statement showing the aggregate amount of payments to the person as shown on such return. The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to returns made after the date of the enactment of this Act.

ORDER OF BUSINESS

Mr. RIBICOFF. Mr. President, I ask unanimous consent that I may now yield to the Senator from Illinois; and, if the Senator from Illinois will defer to the

Senator from Washington, I will be pleased to yield first to the Senator from Washington, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

CORRECTIVE MEASURES FOR DRAIN OF GOLD RESOURCES TO FRANCE

Mr. DOUGLAS. Mr. President, first I thank the Senator from Connecticut for his very gracious yielding of the floor. He has been present ever since 12 o'clock, and has seen his hopes of addressing the Senate on an important subject deferred from minute to minute. Since he has been so kind as to yield to me, I shall try not to infringe too deeply on his time.

Somewhat over a year ago, I took the floor of the Senate to point out that General DeGaulle had announced his intention to demand gold from us in payment for the dollar claims which France held against us. In effect, he had announced his intention to start a run on the credit bank of dollars which we had created to protect and rebuild the world. France included. I then proposed that, despite our appreciation of French culture and our admiration for the many estimable facets of the General's character, in self-defense and without bitterness we adopt a series of defensive economic moves designed to lessen or eliminate his drain on our gold. I suggested a decrease in our tourist travel in France and a re-routing of cargo and passengers away from French shipping, a shifting of our command and supply activities out of France into other countries, and the discontinuance of American aid and investment in those nominally independent African nations which are still financially tied to France. For in these cases, our expenditures in dollars are transferred to Paris and speedily become official claims upon our gold.

I even went so far as to suggest that if France continued in its attempt to pull down the pillars of the gold exchange standard we should try to counter this by asking France to pay some of the billions which she still legally owes us on the World War I debts.

While I received some reassuring comments from certain administration officials, no visible action was taken by it. In the late summer, I addressed a letter to the leading department heads reaffirming my suggestions.

I ask unanimous consent that that letter be printed in the Record following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. DOUGLAS. After a time I received an official reply from Assistant Secretary of State Douglas MacArthur II, rejecting or postponing a decision on all of these suggestions, and I ask that this letter also be printed in the Record at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. DOUGLAS. It is understood that the main opposition to even the mildest of these suggestions comes from the State Department. It is, I suppose, natural for them to do so. They want to hold the shaky Western alliance together. So do I. They do not want to excite the further anger of General de Gaulle and hope that the ever-rolling stream of time will either moderate the General's policies, cause the French people to repudiate them or bring new leaders to the fore. But we must face the fact that General de Gaulle was recently reelected even though he only received 45 percent of the votes on the first ballot and 55 percent on the second. Continuing in power, he seems to be slightly more conciliatory towards the other European members of the Common Market but just as confirmed as ever in his anti-Americanism. He is for forcing all NATO units commanded by Americans out of France and obviously wants to injure America in every possible way. Economically, in the past year, the French claimed \$800 million of gold and their example was followed by Spain and by other small European nations. Secretary Fowler has testified before the Finance Committee that De Gaulle is continuing this policy at the rate of \$30 million a month. Unless corrective steps are taken in Indochina, which I shall touch on in a moment, this drain will not only continue but will markedly increase.

De Gaulle is now forcing our troops and supply and command units out of France and in the process slightly diminishing the gold drain. How much more dignified it would have been had we voluntarily withdrawn, as I urged last year, instead of being forcefully booted out.

I now wish to make two very modest suggestions which can be easily put into effect:

First. That, as I suggested last year, we discontinue economic aid to the African republics which are financial dependencies of France. By last accounts, aid and American investments in these countries amounts to about \$200 million a year. France has sufficient resources of her own to assume the full economic responsibility for these countries and we should not allow this burden to be shifted to us—particularly in view of the fact that DeGaulle then uses our very generosity to undermine further our international economic position.

I hope that such items may be omitted from the forthcoming economic-aid bill. But, if not, and if AID and the State Department persist in their determination to thus aid DeGaulle, I think I should serve notice politely but firmly that I will try to eliminate these items specifically from any authorization.

Second. We need to take corrective measures to prevent financial disaster growing out of our expenditures in Vietnam, for France is financially strengthening herself and, at the same time, undermining us as we try to pre-

vent the Communists from taking over South Vietnam by force. We should start from the fact that the French owned and dominated Bank of Indochina still largely controls the financial life of South Vietnam as it did that of all Indochina prior to the military expulsion of the French in 1954. This bank is both rich and powerful and has been and is highly influential in French political life as it still is in South Vietnam. There are also, as I understand, two rather small Vietnamese banks and presumably two which are owned by overseas Chinese. But it is the Bank of Indochina which is dominant and controlling, and this, I repeat, is French owned and controlled.

Already dollar expenditures in South Vietnam are finding their way into the Bank of Indochina and are apparently then being transferred to Paris where they become official French claims upon the dollar and, hence, create an ultimate demand upon our gold.

The administration estimates that the added cost of the stepup in our efforts in Vietnam will be \$10.5 billion. Possibly if we were to get an early and honorable cessation of hostilities, it might be less. But all the probabilities are that it will be more. It is almost inevitable that the dollars for some of these expenditures will find their way into the Bank of Indochina and then be transferred to Paris and then give General de Gaulle further weapons in his effort to strip America of its gold. I wish to commend the Defense Department and the Treasury for their decision to have our troops in Vietnam payed in scrip, redeemable only in the United States. This should reduce the French claims on gold although it is still possible that some of this scrip may still wind up in French financial hands.

But expenditures by contractors and subcontractors who will do the extensive construction work which is being planned cannot be so easily controlled. I think it safe to estimate that, at the very least, 5 percent of the total expenditures will get into the hands of the Bank of Indochina and will then be transferred to Paris and create an added demand for our gold. I have consulted with men who know the situation and I believe my estimates are most modest and probably err greatly on the side of conservatism. But even 5 percent would mean added claims against our gold of \$500 million.

Of course, if the Communists were to take over South Vietnam, the Bank of Indochina would then exist only at their sufferance and when it was convenient it would be closed down or taken over.

Let it be clear that, while we are not in Vietnam to protect the Bank of Indochina, this is nevertheless one of the incidental side effects. An ironical situation is thus created whereby the more we help to protect the Vietnamese people and, incidentally, the Bank of Indochina, the more this furnishes General de Gaulle with the financial ammunition which he will then use in the effort to cripple us financially.

I submit that it is about time we stopped this. We have not won the General's friendship or cooperation by our sufferance of injuries. Perhaps we can win French support and induce the General to be less antagonistic by decent self-defense. On last Friday, therefore, I urged the Treasury to help establish American banks in South Vietnam and to see to it that dollar payments be channeled into them rather than into the Bank of Indochina. I am now informed that at least four American banks would like to establish branches in South Vietnam and are awaiting approval by the South Vietnamese government. I believe the attitude of the Treasury Department is wholly constructive in this matter, but we need the support of the State Department if this effort is to be fully effective. While I do not want to condemn the State Department in advance, I think I can say that in the past they have been less than alert to the financial dangers involved and have been unduly concerned in seeking to conciliate the General. To patiently turn the other cheek is, within limits, noble—but after a time a decent self-defense is desirable. Even if the aggressor is a brave General and the head of a great country with a distinguished history, we should not suffer this any longer. We can act in a dignified and nonprovocative manner, but it is necessary and proper to defend ourselves economically. I hope the State Department and its representatives will see the light and that these banks may be quickly set up and the necessary administrative orders issued in cooperation with the South Vietnamese Government so that dollar deposits and claims can only be handled through them.

But, of course, our cultural contacts with the French people should not only be preserved but increased, and we should strive to work cooperatively with both the French Government and people in all those ways which will strengthen the security and well-being of the world. General de Gaulle may be our enemy but we will not be his enemy and we wish to let the French people know that we would be true friends of theirs.

EXHIBIT 1

JULY 27, 1965.

Hon. DEAN RUSK,
Secretary of State,
Washington, D.C.

MY DEAR MR. SECRETARY: In a speech which I gave recently on General de Gaulle and his attitude toward the United States, I made some specific suggestions with respect to policies which I felt our Government should pursue in connection with France and General de Gaulle.

Some of these proposals are under the jurisdiction of your Department. I wonder if it would be possible for you to indicate to me if any of these proposals are now either being looked into by the Department or if any of them are now the policy of your Department and the Government of the United States.

With best wishes.

Faithfully yours,

PAUL H. DOUGLAS.

EXHIBIT 2

DEPARTMENT OF STATE,
Washington, August 30, 1965.

Hon. PAUL H. DOUGLAS,
U.S. Senate.

DEAR SENATOR DOUGLAS: Thank you for your letter of July 27, 1965, asking for the views of the Department of State on various suggestions regarding policies toward France which you discussed in the Senate on June 3. I regret the delay in our reply.

One of your proposals is that we shift governmental transportation either to United States or, for example, to British flag vessels and aircraft. I can assure you that Department of State personnel and their effects now move abroad only on U.S. flag carriers, except to or from destinations that are not served by U.S. carriers or, in exceptional circumstances, when such carriers are not available during the period that travel must take place. We, of course, intend to continue this policy, which is also followed by other U.S. Government agencies.

You also suggested that we might reduce travel by American tourists and businessmen abroad, particularly to France. I am sure you will understand our view that the U.S. Government should not interfere with the right to travel, nor should it suggest where or how its citizens might travel, except of course for passport restrictions relating to special circumstances. The Government, under the leadership of the Department of Commerce, is trying hard to promote travel within the United States, both by Americans and by foreign visitors.

Another of your proposals was that military activities might be removed from France. There is, as you say, an annual net dollar outflow on military account as a consequence of the presence of U.S. forces in France. However, we believe that the best deployment of our forces in Europe would include the line of communications across France as well as the network of airbases available for our use in central and eastern France. It would be unwise to change these arrangements on balance-of-payments grounds alone. We will certainly continue our efforts to manage these military facilities in France with the most economical use of personnel and resources, and we note that economies in this respect have been achieved by the military services each year. It is expected that further economies will be realized this year in France, as well as in other countries.

You further suggested that we consider ways to induce greater financial cooperation from France. We frankly do not believe that it is possible to achieve an improvement in the international monetary system except on the basis of agreements among interested governments founded on their mutual interests; improvements cannot be obtained by pressure or coercion of one against another. Your suggestion that we ask France to make payments to us in gold would not be effective so long as France enjoys a surplus in its external accounts or, should the French surplus disappear, so long as France has convertible foreign exchange holdings, primarily dollars, with which to settle deficits in its accounts. In the absence of such holdings, France would, of course, be obliged to settle such transactions with the United States and other countries in gold, and this is its established policy.

You suggested that the entire French indebtedness from World War I might be canceled in return for their canceling the total foreign exchange claims which they hold against us. This would amount to expunging their dollar balances of some \$865 mil-

lion. We feel that any suggestion along these lines, which would also resurrect controversial issues concerning a period long past, would only serve to undermine confidence in the dollar as a reserve currency in the modern world.

Finally, I wish to comment on your suggestion that we consider the reduction or elimination of aid to 18 French-speaking countries in Africa. The United States recognizes the continuing importance and value of French aid and influence in these countries where, in many cases, France is the most important donor. We also recognize the importance to these countries of diversifying their economic and political associations, and believe it to be of the greatest importance that they have the opportunity to do so with all countries of the free world, as an alternative to the Communist world. We are also impelled by humanitarian considerations, and note that more than half of our aid to Africa last year took the form of food-for-peace shipments.

We consider our aid programs in Africa a significant ingredient in the closeness of our relations with these new countries. We believe they contribute to increased African understanding and support for our own policies outside Africa, which are of great importance to us. The development of this identification of interests has also had significant results in the provision of space and other important facilities in Africa. While U.S. aid to Africa has been relatively small in relation to the assistance provided by France and other European countries, it demonstrates our concern for the welfare of these new nations.

We appreciate this opportunity to comment on the suggestions made in your speech of June 3. We also wish to assure you that, while differences in policy between the United States and France are naturally of concern to us, we remain in touch with the French Government at all levels, to discuss and, where possible, resolve our differences. If I may be of further assistance to you, please do not hesitate to call on me.

Sincerely yours,

DOUGLAS MACARTHUR II,

Assistant Secretary for
Congressional Relations
(For the Secretary of State).

Mr. RIBICOFF. Mr. President, I ask unanimous consent that I may yield to the Senator from Delaware, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. WILLIAMS of Delaware. Mr. President, I am supporting H.R. 12752 the pending bill, the purpose of which is to provide additional revenue for fiscal year 1966 as well as 1967. I voted against the removal of these taxes last year on the basis that it was fiscally irresponsible to cut taxes in the face of a big deficit and with a war going on.

However, in supporting this bill, I do not underwrite the administration's claim that this solves all the fiscal problems, or that this will result in a deficit of only \$1.8 billion in fiscal 1967.

For fiscal 1967 they claim it is \$1.8 billion, but in reality the deficit is between \$9 and \$10 billion.

I pointed out earlier this year that the President in his message to Congress had advocated legislation dealing with truth in lending and truth in packaging, and I stated that what we need equally as much is more truth in government.

The fact is that if the budget submitted by the President to Congress is enacted this Government will produce a deficit of close to \$10 billion in 1967.

The Secretary of the Treasury in his testimony before the Committee on Finance on this particular bill confirmed the arithmetic I have just stated.

I pointed out, however, that the real deficit is camouflaged in the claim of a \$1.8 billion deficit. They have boasted of this figure as a great accomplishment.

The bill, coupled with the action in the committee last year, will produce \$4.5 billion in fiscal 1967 in additional revenue as a result of acceleration in the payment of corporate taxes.

This is not new revenue. It is merely borrowing from next year's tax bill money that would normally be paid next year. This is moved over into fiscal 1967 to defray current expenses. It is so recognized and admitted by the Secretary of the Treasury. It is purely a one-shot operation, one which cannot be repeated in the years to come because we certainly cannot collect taxes in advance.

In addition, as a result of the new silver half dollars and quarters containing less silver there will be \$1.5 billion nonrecurring income accrued to the Federal Treasury in fiscal 1967, and they have decided to include this as part of the general revenue, thereby using that money to defray expenditures in 1967.

Again, this item is nonrecurring income unless some brilliant bureaucrat decided later to print a paper quarter instead of minting a metal one.

They estimate \$400 million will be picked up in fiscal 1967, as a result of the change in withholding taxes, which again is a one-shot operation.

In addition they are liquidating the assets of the Government by selling the mortgages on the Federal National Mortgage Association—FNMA—and some of the other lending organizations. It is true, as the Secretary points out, that there have always been some normal sales of these mortgages over the years, but the Secretary confirmed to our committee in the hearings on this bill, copies of which are now on Senators' desks, that the sale of FNMA mortgages was accelerated over and above the normal average sales of such mortgages by more than \$1 billion in fiscal 1966 and that in fiscal 1967 an additional \$1.5 billion will be brought in.

Their plans are to sell \$4.7 billion in FNMA and small business mortgages. This is \$1.5 billion more than would normally be sold.

All of the proceeds of the sales of these mortgages are used to pay current expenses and thereby reduce the amount of the recorded deficit.

Furthermore, they are selling \$4.7 billion of these mortgages and applying it not to income but subtracting it from the expenditure side in order to give the American people the idea that they have cut expenditures. They have not cut expenditures. I repeat—they are using the \$4.7 billion to defray the cost of the program of the Great Society. This is merely a bookkeeping device so that it will not appear on the books at all as expenditures.

Summarizing, taking the \$4.5 billion accelerated payments of corporate taxes, the \$1.5 billion windfall profit on coinage, the \$400 million on withholding collections, and the \$1.5 billion extra receipts on FNMA mortgages which have been sold, it means that they will be collecting \$7.9 billion extra revenue, all of which will be nonrecurring income. It is like borrowing on next week's salary to pay this week's grocery bills.

When we add this \$7.9 billion one-shot income to the \$1.8 billion which the administration admits as a deficit, we find that the Government in fiscal 1967, based on its own records, will have a deficit of \$9.7 billion. On an average this represents \$800 million expenditures beyond our income for every month in the calendar year of 1967.

This \$9.7 billion is after we have taken into consideration the restoration of the telephone and automobile excise taxes, which are part of this bill.

Mr. President, I am supporting the bill because I believe we are confronted with a serious financial condition so far as the Government is concerned.

As I stated earlier, I opposed removing these taxes last year when everyone knew our deficit this year would exceed \$6 billion.

With a war in Vietnam the only alternatives were to restore the taxes or to raise the debt.

Yes, I support the administration in this bill, but I will have no part of its effort to deceive the American people as to the true deficit. Even with this bill we are not paying for the expenditures to meet the cost of the war in Vietnam.

Officials in the administration boast of the great achievements of their planned deficit program and boast that as the result of this deficit planning they have in the last 5 years brought down the unemployment rate to below 4 percent.

The chairman of the committee just mentioned that great achievement with pride, but they do not tell the people that the reason they were so successful in bringing the unemployment rate to below 4 percent is not an achievement of the Great Society but because there is a war going on in Vietnam and many American boys are being put into uniform and others are being employed in defense plants to make the implements of war. That is how the low unemployment rate has been brought about. Nor is the administration providing revenues to take care of the expenditures to conduct the war in Vietnam. We are enjoying a wartime prosperity. I use the term "enjoying" advisedly because we should recognize we are in a wartime economy, and we should be paying for its cost instead of insisting on both butter and guns.

As to the achievements of the Great Society, the Secretary of the Treasury and the Director of the Budget boasted that the deficits of the Great Society were deliberately planned just as planned but controlled inflation was a part of their program.

Some day this administration is going to have to take direct responsibility for the inflation which it is causing. Since 1961, the 5 years in which the Great Society has been in office, the administration has spent \$31½ billion more than it has taken in in revenues. That is an average of \$500 million a month for every month it has been in office. Yet every year the President has been before this Congress and in his messages he has always boasted that we are achieving a balanced budget. The words sound well, but actions belie the words.

It is time that the administration told the American people the facts of life; namely, that this bill is a one-shot operation to take it beyond the 1966 congressional elections without having to call for a tax increase. They want to go before the American people and tell what they have done without raising taxes.

The administration should have the same degree of courage to tell the American people what the facts are as is being shown by our boys fighting on the battlefields of Vietnam.

The people should be told that with the approval of this bill, once the year 1967 rolls around, we will automatically be moving into a deficit of around \$900 million a month.

Unless Congress can cut some of the expenditures that are being asked for under the Great Society there will have to be a tax increase that will shock many people. Of course the administration may not admit this point until after the votes are counted next November.

According to the press, the administration is asking a special committee of Congress, beginning March 16, to study proposals to give the President standby authority to raise taxes. This standby authority to raise taxes is a devious way to have a tax increase approved by Congress without exactly describing it that way. Under the plan the standby authority will be enacted in this session of Congress, yet in the 1966 congressional elections the administration and the Members of Congress will be able to say that they have not raised the people's taxes but that Congress has only given the President standby authority if the Vietnam war makes it necessary. Then after the elections are over the increase can be ordered into effect, but by then the ballots will have been counted.

I for one do not intend to support any such standby authority. If the administration wants to increase taxes let the President tell the American people exactly what the fiscal situation is which faces the people and what kind of an increase it recommends. If the administration wants to increase taxes let it have the courage to ask for an increase in taxes and let Congress approve or disapprove it.

As one member of the Senate Finance Committee I serve notice that I intend to do all I can to block this request.

This would be a tax rise with a political twist.

The administration boasts that the cash budget is in balance. That boast is meaningless. When we talk about a cash budget we are talking about trust funds under the social security program, the railroad retirement program, and the civil service retirement program, and all of the other trust funds. To include moneys in those trust funds to show that there is a balanced cash budget is misleading the American people. It should follow its own directive to have truth in Government.

Certainly no reasonable Government official is going to propose that we move in and tap these trust funds—the social security fund, the medicare fund, and the other retirement funds.

I think it should be made clear to the American people that the present administration, this Great Society administration, is the most spendthrift government that we have ever had in the history of our country; that during the 5 years it has been in office it has spent at the rate of \$500 million a month more than it has taken in, that currently it is operating at the rate of \$600 million a month more than it has taken in, and based on present plans the deficit next year will be at the rate of \$800 million a month more than the revenues.

This administration is leading us down the road to bankruptcy and inflation, and the Johnson administration will have to take full responsibility for it. What I would like to see the administration do is to tell the American people what the budgetary facts are with same courage that our boys are showing in Vietnam.

Mr. CARLSON. Mr. President, I wish to express my appreciation to the distinguished Senator from Connecticut [Mr. RIBICOFF] for allowing me a few minutes to speak on this matter.

As a member of the Finance Committee, I voted to report the bill. I expect to vote for it on final passage. But I feel I would be derelict in my duty if I did not state that I think there has been a very weak effort on the part of the administration to prevent inflationary pressures that are now confronting the Nation, destroying the purchasing power of the American public and threatening the American economy. In addition to that, I personally do not feel that the administration is providing for the expenditures needed for the war in which we are involved in Vietnam.

Mr. President, as the distinguished Senator from Delaware [Mr. WILLIAMS] mentioned, if we are to continue to expand these ever-increasing Great Society programs, it is a meager effort to take care of that phase of it.

I did not rise today to speak on the bill as a whole. I expect to participate in this debate and I shall discuss several phases of the bill as we go through it.

But I wish to speak out against one item in the bill and I feel that I must speak strongly against a reimposition of what I say is the most unfair of the nuisance taxes, the tax on telephones.

This has been an eventful several months. For years I—and others in this

body—have been pointing out the injustice and inequity of this temporary tax which has been extended from time to time for over two decades.

Then last year the administration began swinging around to my point of view.

Last year our committee reported out a bill which would lop 7 percent from the telephone excise tax in January, 1966, with the remaining 3 percent to go by 1969.

The President hailed the action as he signed the excise tax bill of 1965.

In January, the first tax cut was seen in millions of telephone bills. And in January, even before most customers had received their first bills reflecting the tax reduction, the administration asked Congress to restore the cut.

I understand some people are calling the telephone excise the yo-yo tax.

But this tax is no joke. It is discriminatory, unfair and regressive.

This is a tax on the people who use the telephone—not the telephone companies. Over 55 million telephone customers will be paying about \$700 million a year.

In my State of Kansas, 650,000 telephone users will pay nearly \$11 million a year in this tax which is added to every telephone bill. Ending the tax would mean that many millions added to the purchasing power of Kansans—money which would add to the economic health of the Sunflower State.

By any principle of taxation, the telephone tax is a bad tax. It falls most heavily on those least able to pay.

This is not a luxury we are talking about. The telephone is in 85 percent of the Nation's homes. On the many farms and ranches of Kansas it is one of the most valued tools.

Bureau of Census figures for 1960 show that 20 percent of the households with telephones—approximately 7,800,000—had incomes of less than \$3,000 a year. More than half of the telephone households had annual incomes of less than \$6,000.

Last month, William C. Mott, of the United States Independent Telephone Association, representing 2,400 telephone companies, large and small, appeared before our committee.

He said it was difficult to explain to customers why they alone were to have to bear a total reimposition of the excise tax on an essential and necessary service.

It is difficult—

He declared—

because they don't understand why a service which everyone knows is necessary and essential should receive no tax relief while the race track goer, the cabaret habitue, the country club set, and buyers of jewels and furs are given complete tax relief.

Year after year as this discriminatory tax has been extended, I have been strongly urging its removal. And I do so again.

To sum up:

First. This tax falls hardest on those least able to pay—the lower income groups.

Second. It is discriminatory also in that telephone is the only household utility so taxed.

Third. The public generally regards this tax as unfair, particularly because it applies to a service it regards as essential, not a luxury.

It does not make sense to let the so-called luxury taxes disappear while we reimpose an excise tax on telephones.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that I may yield to the Senator from Massachusetts [Mr. KENNEDY], without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

REPORT OF JUDICIARY SUBCOMMITTEE ON REFUGEES AND ESCAPEES

Mr. KENNEDY of Massachusetts. Mr. President, since July of 1965, The Senate Judiciary Subcommittee on Refugees and Escapees, has been holding extensive hearings on the serious problem of refugees in South Vietnam. Thirty-six witnesses in all have testified before the subcommittee, ranging from members of the State Department to representatives of all of the major voluntary agencies represented in South Vietnam, to distinguished members of the academic committee.

The subcommittee has early this month, completed a comprehensive report on its investigations and hearings. On Wednesday, the full Judiciary Committee considered this report and unanimously approved it.

The subcommittee report is, in many areas, highly critical of the United States and South Vietnamese programs directed toward the handling of the refugees. We have, however, tried to be fair and objective, and above all constructive in our approach.

The report speaks for itself, and I shall not try to summarize or capsule it here. I would however, like to outline here today the key recommendations made by the subcommittee for improving the handling of refugees.

The subcommittee recommends the following:

First. The subcommittee recommends that the United States express greater humanitarian concern for the refugees in South Vietnam and their fellow citizens in distress. Efforts to improve their welfare necessarily complement the military activity. Such efforts will be a basic ingredient in the long haul to preserve and strengthen the political independence of South Vietnam. But those efforts must rival in resolve and resources the needed military effort. They must be more forcefully expressed and more fully integrated into the operation of America's overall strategic concept, which in the past has neglected the importance of economic, social, and political development among the South Vietnamese people. The battles may be won by the military; but the true victory will be won by a people inspired with confidence and hope that the future will bring a better life for themselves and their children.

and regional programs. Our assistance to Laos, Cambodia, Thailand, and Vietnam, through the United Nations for the development of the Mekong Basin, though relatively unknown, is one of the most productive efforts undertaken to date to assist in the betterment of this part of the world.

Mr. President, subscribing as we do to many nation assistance for the welfare of the people of Asia, I would have expected more imaginative efforts in this regard in meeting the nonpolitical humanitarian problems created by the conflict in Vietnam.

We have recently made a substantial effort to encourage a U.N. political role in the Vietnam conflict.

It seems clear that for the time being, however, there are major obstacles blocking the political and diplomatic involvement of the United Nations. But we and the United Nations and its individual members should not allow this political stalemate to obstruct humanitarian and nonpolitical programs for the people of South Vietnam.

The specialized agencies of the U.N. were established and are maintained to assist suffering people of the world, wherever that is possible and regardless of the political situation. Reliance upon these agencies for assistance in the health, education, sanitation, nutritional, and other needs of the Vietnamese can be requested without in any way calling upon the United Nations to be a party to our struggle. This has been accomplished in the past, and even now many U.N. agencies have small projects in operation in Vietnam.

But a greater effort is required if U.N. assistance is to be felt in a nation that may one day join the community of nations. The needs of the people are urgent, yet the response can be politically neutral. We know that the suffering of Vietnamese women, children, and the aged has been brought about by our military activities as well as by enemy forces.

In armed hostilities neither side can escape blame for the consequences of war—and in a sense, the United Nations and its humanitarian agencies cannot turn away from requests for help in easing the pains of battle inflicted on the innocent.

I recently visited the many agencies of the United Nations, asking whether they could respond if they received valid humanitarian requests for assistance. In no case was I disappointed; in all cases a willingness to assist was expressed, provided financial resources were available. I then discussed this matter with the Secretary of State, and he has undertaken the task of assisting the South Vietnamese Government in preparing such a request.

It is my understanding from the many conversations I have had on this matter that a strong indication of financial support by the Congress would assist the U.N. agencies in getting their programs

underway. Once the agencies are assured that a request is forthcoming and a major part of the financial resources are present, hard plans can be developed. It is also possible that our indication of interest in assuming a major part of this burden will attract many of our allies, heretofore reluctant to assist us in our military effort, to at least join with us as contributors to this humanitarian effort.

Again, it should be clear that this request, if granted would in no way involve the United Nations or its agencies as participants in our Vietnam activities. This request would be only for the people of Vietnam; it would recognize the suffering visited upon them, and be a call to other nations to ease that suffering.

It is for this purpose that I submit this amendment to the aid supplemental calling for the additional authorization of \$10 million to be expended for humanitarian programs administered by the United Nations in Vietnam.

These funds are not available today unless they should come from the AID Contingency Fund. The information I have obtained, in speaking with Mr. David Bell, Administrator of AID, is that the contingency funds have already been committed to many programs. Therefore, I feel there is a need to increase the authorization. The amendment also gives a clear congressional intent of this Nation to support the United Nations activities.

Mr. President, I ask unanimous consent that the amendment be printed in the RECORD.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 497) was ordered to lie on the table, as follows:

At the end of the bill add the following:
SEC. 4. Chapter 3 of Part I of the Foreign Assistance Act of 1961, as amended, is amended by adding at the end thereof the following new section:

"Sec. 304. Programs of Assistance to Civilians in Vietnam in order to help the United Nations and its specialized agencies, and other international organizations, respond to the social and economic needs of the civilian population of Vietnam, especially the needs of the refugees, in such areas as health, education, sanitation, and nutrition, there is hereby authorized to be appropriated to the President for use under the authorities of this chapter, in addition to other funds available for such purposes, not to exceed \$10,000,000, which shall remain available until expended."

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by

corporations, to postpone certain excise tax rate reductions, and for other purposes.

TAX CREDITS FOR HIGHER EDUCATION TUITION COSTS—AMENDMENT
AMENDMENT NO. 496

Mr. RIBICOFF. Mr. President, I send to the desk an amendment to H.R. 12752, the Tax Adjustment Act of 1966, and ask that it be printed.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. RIBICOFF. Mr. President, I intend to call this amendment up at a later date. This amendment is cosponsored by Senators DOMINICK, ALLOTT, BENNETT, BREWSTER, CANNON, CASE, DODD, FANNIN, FONG, GRUENING, HARRIS, HART, JACKSON, JORDAN of Idaho, LONG of Missouri, MAGNUSON, MCINTYRE, MORTON, MUNDT, MURPHY, PEARSON, PROUTY, PROXIMIRE, RANDOLPH, SCOTT, SIMPSON, THURMOND, and TOWER.

This amendment will provide an income tax credit for college tuition costs. With one difference—the effective date—the provisions are identical to S. 12, which I introduced last year and which is cosponsored by 37 other Members of this body. In substance, it is identical to the proposal I offered as an amendment to the 1964 tax bill. That amendment was narrowly defeated by a 45 to 48 vote.

The credit is based on the first \$1,500 paid for tuition, fees, books, and supplies for any student at an institution of higher education. The amount of the credit is 75 percent of the first \$200, 25 percent of the next \$300, and 10 percent of the next \$1,000. The maximum credit is \$325.

The credit is not a deduction. It is a subtraction from the amount of taxes an individual would otherwise pay. It is subtracted at the end after he has computed his tax liability. Thus, because each \$1 of credit reduces a person's tax by \$1, the tax relief is provided uniformly without regard to the taxpayer's bracket.

Thus, while a deduction or exemption saves a \$15,000-a-year man more tax dollars than one who earns \$5,000, a tax credit saves both the same number of dollars.

Further, my proposal provides that the amount of credit is reduced by 1 percent of the amount by which the taxpayer's adjusted gross income exceeds \$25,000. Thus, for each \$5,000 of adjusted gross income above \$25,000, \$50 is subtracted from the credit otherwise available. In this manner, the credit gives less dollar benefit to upper middle income groups and no benefit at all to high-income groups.

I ask unanimous consent that a table showing the dollar benefits provided by my amendment be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Dollar benefit under Ribicoff bill providing tax credit on 1st \$1,500 of tuition, fees, books, and supplies at an institution of higher education

	Adjusted gross income up to—							
	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000
Tuition per student:								
\$100.....	\$75	\$25	0	0	0	0	0	0
\$200.....	150	100	\$50	0	0	0	0	0
\$300.....	175	125	75	\$25	0	0	0	0
\$400.....	200	150	100	50	0	0	0	0
\$500.....	225	175	125	75	\$25	0	0	0
\$600.....	235	185	135	85	35	0	0	0
\$700.....	245	195	145	95	45	0	0	0
\$800.....	255	205	155	105	55	\$5	0	0
\$900.....	265	215	165	115	65	15	0	0
\$1,000.....	275	225	175	125	75	25	0	0
\$1,100.....	285	235	185	135	85	35	0	0
\$1,200.....	295	245	195	145	95	45	0	0
\$1,300.....	305	255	205	155	105	55	\$5	0
\$1,400.....	315	265	215	165	115	65	15	0
\$1,500.....	325	275	225	175	125	75	25	0

Mr. RIBICOFF. Mr. President, the credit is available to anyone who pays tuition expenses. It is thus available to students who are working to put themselves through school and pay their own expenses; it is available to parents putting their children through; it is available to other relatives; and it is available to those who would like to help a deserving student.

Parents would benefit from the credit regardless of the number of children in college. Thus, a parent with two children in college, each paying \$500 for tuition, could receive a credit on the total \$1,000 paid. The credit is available on the total amount paid up to \$1,500 for a taxpayer, even if the parent has more than one child in college.

Mr. President, the concept of tax relief to ease the burden of higher education has been advanced many times in the past. In the past decade, over 400 bills have been introduced in this and the other body. In the last Congress alone, 19 bills of this nature were introduced in the Senate and over 100 in the House.

I first proposed tax relief for college expenses 3 years ago in a speech on this floor.

Sometime we must squarely face the issue of providing tax relief to ease the heavy burden of college costs.

The people who are in desperate need of the relief provided by this bill are the lower and middle income groups of the United States. The bill is designed to provide them with the relief they need. The wealthy need no relief, and this bill gives them none.

Each year the costs of going to college increase. From all the evidence, these costs will continue to increase. As they do, the burden will continue to fall more and more heavily upon those very people who constitute the backbone of America—the blue-collar workers, the white-collar workers, the wage earners, the salaried persons of the lower and middle income groups—who are struggling to pay their bills, buy their homes, and educate their children. These are the people who pay their taxes and for whom a \$10,000 burden to educate a child—multiplied by several children—over a few short years constitutes one of the major financial burdens of their lifetime. Let us look at the record.

In 1955, there were 2,260,000 college students working toward degrees. To-

day, there are 5,526,000 college students working toward college degrees. In 1970, there will be over 7,225,000. By 1974, college enrollments will top 8½ million.

The increased enrollment figures will mean that both public and private institutions alike must continue to expand their facilities. This will in turn mean increased tuition costs.

At the same time, man's ever-increasing knowledge of the universe and the great technological advances of the 20th century will also continue to push up the cost of education. Advancing the frontiers of knowledge—and passing that information on to students—by its very nature grows more expensive. Ben Franklin could experiment with a kite and key, but today's universities require atomic accelerators, mass spectrometers, and other sophisticated equipment.

Thus, in 1955, the median tuition and required fees for a full-time undergraduate student at a public institution of higher learning was \$139; at a private college \$438. By 1964, these figures had increased to \$191 and \$734, respectively. By 1971, the Office of Education estimates these figures will be \$353 in a public institution and \$1,115 at a private institution.

This, of course, is not the total cost of sending a child to college. The average total cost for the academic year ending in 1965 is estimated to be \$1,560 for a public college and \$2,370 for a private college. In the year ending 1967, these figures will go up to \$1,640 and \$2,570. By 1970, they will rise to \$1,840 and \$2,780. For many, the cost is already over \$3,000 a year.

What does all this mean to the average workingman earning between \$3,000 and \$10,000 a year and with three or four children to educate? Simply stated, it means a financial crisis. A man with three or four children can reasonably expect expenses of \$30,000 to \$40,000 to put those children through college.

I believe that today this is an impossible burden. And families in the \$3,000 to \$10,000 income group represent 62 percent of all the families in America.

But, some argue, such families will get relief through scholarship aid. Let us look at the facts.

The September 20, 1965, issue of U.S. News & World Report contained a fascinating table—a table which showed the amounts most colleges expect a family

to contribute to their children's education. The table was prepared by the College Scholarship Service, and it will be widely used by colleges and universities in considering applications for scholarships and other financial aid.

I ask unanimous consent that this table be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

How much can a family afford to spend on a child's college education, in relation to income and other dependent children still living at home? You get an idea from a new set of estimates that will be widely used by colleges in considering applications for scholarships and other financial aid.

Spending on college: The estimates are those of the College Scholarship Service. The CSS assists many major universities and colleges in determining which students are entitled to first call on available financial help. The following table shows amounts that families are expected to contribute annually from current income if they have only one child in college:

Income before taxes	Number of other dependent children in family—				
	None	1	2	3	4
\$4,000.....	\$290	\$100			
\$6,000.....	790	550	\$350	\$220	\$130
\$8,000.....	1,290	980	740	570	440
\$10,000.....	1,860	1,490	1,150	920	750
\$12,000.....	2,450	2,050	1,650	1,370	1,130
\$14,000.....	3,200	2,680	2,220	1,890	1,590
\$16,000.....	3,970	3,360	2,850	2,470	2,130

Mr. RIBICOFF. Mr. President, you will note that a man having a gross annual income of \$6,000—with one child in college and no other dependents save his wife—is expected to contribute \$790 a year from his income before his child is entitled to scholarship assistance. Such a person, earning \$6,000 and taking the standard deduction, pays an income tax of \$552. This leaves only \$5,448 net income each year, and you can imagine the burden on such a person.

The wage earner with an \$8,000 income would have a net income of \$7,114, and out of that sum he is expected to pay \$1,290 toward college expenses.

An examination of this table will show most graphically, the average American family's real expenses.

I emphasize that 62 percent of the benefits under this amendment goes to families earning between \$3,000 and \$10,000; 91 percent of the benefits goes to families below \$20,000 of income.

Mr. President, last year we enacted the Higher Education Act of 1965—a landmark in American education progress. During the Senate's consideration of the bill, I engaged in a colloquy with the distinguished Senator from Oregon [Mr. MORSE]. I said at that time that I would not raise my tax credit proposal as an amendment to the Higher Education Act, because I wanted to do nothing to endanger the prospects of the act or delay its passage.

We passed the bill, and we provided 140,000 scholarships for needy students. These scholarships represent a breakthrough in American education—and provide real help for low-income families. Now is the time to take the next

step—and provide meaningful relief for the millions of American families who have received no help. Now is the time to provide a tax credit for college expenses.

It will be argued by some that if scholarships are not available, people can borrow the money. To the workingman with a mortgage on his house, the thought of borrowing many more thousands is not a pleasant one and may indeed be practically impossible. Further, should our young people graduating from college—at the beginning of their lives, about to marry and have children—be forced to begin many thousands of dollars in debt?

Last December the interest rates throughout the country were again boosted by one-half of 1 percent.

The distinguished junior Senator from Louisiana [Mr. Long], who is the manager of this bill and will oppose this amendment, stated the case well in a colloquy with Secretary Fowler at the hearings on the proposed Tax Adjustment Act of 1966, when he stated that:

An increase in interest rates of one-half of 1 percent, when passed on throughout the economy, means about a \$7 billion tax on the rank and file of the people, the working class—generally speaking, the middle and lower income classes of people.

These are exactly the people I am trying to help. If the rise in interest rates cost them \$7 billion this year, surely we can give them \$1 billion in tax relief.

It has been said that this proposal would discriminate against the public university. This is simply not the case. While the dollar amount of relief would be higher at most private colleges, the percentage of relief would be higher at State and land-grant institutions. For instance, the credit on a \$200 expense is \$150—75 percent. The credit on a \$1,000 expense is \$275—only 27 percent. Even where a college charges no tuition, the expense of fees, books, and supplies invariably totals \$200 or more. Thus, the fact is the bill favors the low-tuition colleges, most of which are public colleges.

It is, of course, true that the credit on \$1,000 tuition is more dollars than the credit on \$200 tuition. However, every credit and deduction in the Internal Revenue Code operates the same way. The investment credit, for example, gives greater dollar benefits to a man who buys a \$100,000 machine than to a man who buys a \$10,000 machine, but this of course is in no way discriminatory.

My amendment uses a sliding scale formula, which computes the greatest percentage of credit on the lowest amount of tuition. I have prepared a table showing what the dollar benefit of the credit would be on tuition, fees, books, and supplies at most of the State universities and land-grant colleges of America. The tuition and fee figures were supplied by the Department of Education. They apply to academic year 1964-65. To these have been added the Office's \$90 estimation for books and supplies. I ask unanimous consent to add this table to the end of my remarks.

The PRESIDING OFFICER. There being no objection, it is so ordered.

(See exhibit 1.)

Mr. RIBICOFF. Mr. President, in terms of the total benefits provided to the Nation as a whole, an increasing amount would go into State universities and land-grant colleges both as they make inevitable tuition increases, and as an increasing percentage of America's college population attends these colleges.

The tuition tax credit would further aid American education by allowing students to choose their colleges on the basis of their individual academic requirements, rather than simply economic necessity.

It is a disturbing trend, disturbing to all of us who are interested in education—public and private—that more and more of our students are compelled to go to public institutions and a smaller and smaller percentage can afford private colleges. In 1950, the ratio between public universities and those attending private colleges was 50-50. In the fall of 1955, 44 percent enrolled in private institutions. At the present time the figure has fallen to 34 percent. This trend is disturbing because it indicates the increasing danger of destroying the diversity which has made American education great. This trend represents a growing expense for the taxpayers of this country. They must continue to build public facilities at a rapid rate, and to support a disproportional enrollment rate at public institutions. Besides the costs of buildings, the taxpayer must pay an increasingly heavy local tax to subsidize each additional student at a public university.

Many parents feel there is a great value in sending their children away from home to college. Those who seek a middle ground economically by sending their child to an out-of-State public uni-

versity will reach a rude awakening as the years progress. With few exceptions, tuition costs at public universities have been increased in the last 2 years—for out-of-State students, in particular. The tuition fees charged out-of-State students exceed \$1,000 in a number of universities already.

My proposal for tuition tax credits will not lead to increased tuition costs. The credit is available only for tuition paid to nonprofit institutions will therefore set their fees to raise the money they need, not what the traffic will bear. My proposal for tax credits will only help the great majority of hard-working Americans to face those increases which inevitably are going to come. I ask unanimous consent that an excerpt from a pamphlet prepared by the Department of Health, Education, and Welfare on college costs be printed at this point in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

We have entered an age in which education is not just a luxury permitting some men an advantage over others. It has become a necessity without which a person is defenseless in this complex, industrialized society. * * * We have truly entered the century of the educated man."—President Lyndon B. Johnson, April 1964.

First things first. A high school student who plans to go to college should first determine which college has the courses of study best suited to his needs or career plans. Since the student should feel at home in his school, other considerations are also important—whether the college is in a rural environment or a city, whether it is large or small, coeducational or not. The next step is to find out in detail the college entrance requirements, and prepare to meet them. And, for many students, there is the matter of money:

The average cost

Expenses	High-cost private college	Low-cost private college	High-cost public college	Low-cost public college (primarily commuters)
Total.....	\$3,200	\$1,850	\$1,800	\$1,050
Tuition and fees.....	1,500	550	300	100
Room.....	400	200	300	0
Meals on campus.....	500	400	500	200
Books and supplies.....	150	150	150	150
Transportation.....	250	150	150	200
Personal and miscellaneous.....	400	400	400	400

Paying for college: A number of private groups, institutions, and organizations offer financial assistance to qualified college students. The U.S. Department of Health, Education, and Welfare and other Government agencies also provide financial aid for study in specific areas. This pamphlet is a guide to the four major financial aid programs of the U.S. Office of Education, and is intended for students in any course of study.

Mr. RIBICOFF. It has been said by some that this tax credit proposal will not help those who are so poor that they pay no taxes.

Neither does the tax relief for high medical expenses or losses from fire, theft, windstorms, or bed debts, which are necessary parts of our tax law.

Moreover, the College Scholarship

Service reported that the medium family income of students applying for scholarships was \$8,436. With assistance from the tuition tax credit, many students now receiving partial scholarships could forgo that assistance—release to each and every college in the land large amounts of scholarship funds to help the truly destitute.

As far back as 1958, John F. Meck, vice president of Dartmouth College stated at congressional hearings:

Most parents in the \$8,000 to \$10,000 and even the \$12,000 a year brackets, who now require partial scholarships in order to keep their children in college would be able to forgo these scholarship funds, thus making them available for children coming from homes of less financial ability.

Further, this proposal would generate new scholarship assistance. Under present law, no tax benefit is available to a person or business who gives a scholarship to a person he designates.

Contributions or gifts must be given to a particular university or charity. My bill gives a tax benefit to anyone who pays the tuition of another, thus encouraging persons to help poor but deserving boys and girls in their own communities. Colleges and universities might well prevail upon alumni to "adopt" deserving students in financial distress. This technique has been used by charities for many years with great success and would certainly work in this context.

Tax relief is a logical method of providing financial assistance to college students. It supplements scholarships, which I have long supported, but does not replace them. As long as the tax credit grants tax relief for medical and casualty expenses, families burdened with high college costs are entitled to similar relief, especially in view of the positive effect of college education upon our country's culture and economy. It

is a method of relief that is completely nondiscriminatory and is easily administered without additional governmental expense.

Several months ago, the Secretary of the Treasury pointed out that for 5 years this Nation has experienced economical expansion without parallel in our peacetime industry. He pointed out, and rightly so, that these impressive economic gains did not simply happen. It was sparked in 1962 by two major fiscal steps. First, the Treasury greatly liberalized depreciation for tax purposes. Second, a tax credit of 7 percent on new investments on machines and equipment was included as a key element in the Revenue Act of 1962.

How has the investment credit worked? In 1962, 249,000 corporate returns claimed \$834 million in tax credits. In 1963, the amount of investment credits were more than \$1 billion. Since, then, the figure is estimated to have risen over the \$2 billion mark.

The Treasury Department has estimated that my proposal would provide \$1.3 billion in tax credits in 1970. I believe that an investment in American ed-

ucation is just as important as an investment in American machines. It is education that, in the long run, will provide the future strength of our Nation.

A Nation that can afford billions in tax credits for investments in machines can afford \$1 billion in 1968 for education. It can certainly afford tax credits to help those classes of Americans that struggle to pay their own way—the farmer, the blue collar worker, the man on the assembly line, the clerks and storekeepers, the gas station operators, the telephone lineman, and all the others who are the backbone of America.

It will be noted that the effective date on this amendment is for taxable years beginning after December 31, 1966. Therefore, it will apply only to tuition paid in 1967 and thereafter. It would first appear on tax returns filed in 1968, and would therefore have no effect on the money which this tax bill raises for fiscal years 1966 and 1967. It will not effect the money raised by this bill to fight the war in Vietnam.

It is education that is our long-run hope, and by 1968 this is an investment that the American people must make.

EXHIBIT 1

Dollar benefit of Ribicoff tax credit bill on tuition, fees, and books at State universities and land-grant colleges

	Resident		Nonresident			Resident		Nonresident	
	Tuition, fees, and books	Dollar benefit of tax credit	Tuition, fees, and books	Dollar benefit of tax credit		Tuition, fees, and books	Dollar benefit of tax credit	Tuition, fees, and books	Dollar benefit of tax credit
Alabama A. & M.	\$280	\$170	\$400	\$200	University of North Carolina	\$375	\$194	\$800	\$255
Auburn University	390	198	690	244	North Carolina State College	427	208	852	260
University of Alabama	390	198	740	249	North Dakota State University	390	198	660	241
University of Alaska	323	180	623	237	University of North Dakota	390	198	660	241
Arizona State University	320	180	740	249	Kent State (Ohio)	486	222	816	256
University of Arizona	304	176	954	270	Miami University (Ohio)	510	226	1,060	281
Arkansas A. & M.	270	168	470	218	Ohio State University	465	216	960	271
University of Arkansas	290	173	560	231	Wayne State University	450	213	896	265
University of California	\$310-356	\$178-190	\$910-956	\$266-271	University of Minnesota	405	201	870	262
Colorado State University	426	207	1,011	276	Alcorn A. & M. (Mississippi)	276	169	476	219
University of Colorado	448	212	1,196	295	Mississippi State University	384	196	784	253
University of Connecticut	280	170	680	243	University of Mississippi	370	193	770	252
Delaware State College	250	163	550	230	Lincoln University (Missouri)	233	158	348	187
Florida A. & M.	270	168	620	237	University of Missouri	340	185	690	244
University of Florida	316	179	666	242	Montana State College	420	205	758	251
Florida State University	316	179	666	242	University of Nebraska	354	189	690	244
Fort Valley State College	330	183	630	238	University of Nevada	351	188	951	270
Georgia Institute of Technology	399	200	1,089	284	University of New Hampshire	494	224	1,039	279
University of Georgia	350	188	695	245	Ohio University	540	229	940	269
University of Hawaii	336	184	336	184	Langston University (Oklahoma)	279	170	537	229
University of Idaho	274	169	584	233	Oklahoma State University	314	179	666	242
Southern Illinois University	240	160	480	220	University of Oklahoma	314	179	666	242
University of Illinois	360	190	710	246	Oregon State University	420	205	990	274
Indiana University	420	205	900	265	University of Oregon	420	205	990	274
Purdue University	420	205	1,040	279	Pennsylvania State University	615	237	1,140	289
Iowa State	382	196	582	233	University of Puerto Rico	247	162	247	162
University of Iowa	430	208	860	261	University of Rhode Island	430	208	930	268
Kansas State University	334	184	664	241	Clemson College (South Carolina)	576	233	826	258
University of Kansas	334	184	664	241	South Carolina State College	380	195	610	236
Kentucky State College	285	171	435	209	South Dakota State College	387	197	655	241
University of Kentucky	310	178	610	236	State University of South Dakota	392	198	660	241
Louisiana State University	260	165	560	231	University of Tennessee	315	179	615	237
University of Maine	515	227	915	267	Prairie View A. & M. (Texas)	244	161	544	229
University of Maryland	436	209	566	232	Texas A. & M. University	260	165	560	231
Maryland State College	291	173	441	210	Texas Technical College	240	160	540	229
Massachusetts Institute of Technology	1,790	325	1,790	325	University of Texas	234	159	534	228
University of Massachusetts	414	204	814	256	Utah State University	321	180	501	225
Michigan State University	418	205	964	271	University of Utah	390	198	585	234
University of Michigan	380	195	1,020	277	University of Vermont	665	242	1,665	325
Rutgers (New Jersey)	596	235	832	258	Virginia Polytechnic Institute	480	220	870	262
New Mexico State University	352	188	662	241	Virginia State College	476	219	656	241
University of New Mexico	390	198	660	241	University of Virginia	517	227	1,027	278
Cornell University	1,890	325	1,890	325	University of Washington	390	198	690	244
State University of New York	560-610	231-236	760-810	251-256	Washington State University	390	198	675	243
North Carolina Agricultural and Technical	426	207	678	243	West Virginia University	322	181	852	260
					University of Wisconsin	390	198	1,090	284
					University of Wyoming	488	222	804	255

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. CARLSON. Mr. President, I commend the distinguished Senator from Connecticut for offering this amendment to authorize tax credits for those families who have boys and girls in college.

I can think of no other person who is better qualified to discuss that problem or to present it to the Senate than is the distinguished Senator from Connecticut, who served as Secretary of that great, executive department of the Government, the Department of Health, Education, and Welfare.

The Senator from Connecticut, while as Secretary of the Department of Health, Education, and Welfare, dealt with all of the educational problems of the Nation. He is therefore particularly well qualified to present this proposal today.

I share the concern of the Senator with regard to the future welfare of this Nation because of educational problems. I believe that the future strength and development of our great democracy will be helped by continued education for our youth.

I commend the Senator for offering his amendment.

Mr. RIBICOFF. Mr. President, I thank the distinguished Senator from Kansas.

I am deeply concerned at, in all of the legislation we pass, our lack of concern for the middle income group.

We are concerned with people at the poverty level, and we should be. I support such legislation. We are concerned with poor people who need scholarships, and I support such legislation. We are concerned with large corporations and oil depletion allowances, some of which legislation I support and some of which I do not.

However, Congress and the executive branch of our Government, year in and year out, neglect the tax problems, and the need for tax relief for the middle-income group.

The middle-income group is the backbone of America. These people are not looking for handouts. They are not looking for any favors. They are proud people. They pay their own bills and look for no assistance from the Government. They sacrifice to support and educate their families.

These hardworking people in the \$5,000 to \$10,000 a year income bracket raise their children, and their great hope and ambition is to see their children receive a college education.

When many of these people are middle aged, their children are ready for college. They then experience a great financial squeeze and must sacrifice for their children. As the figures and tables which I have had printed in the RECORD indicate, they are required to pay such large sums of money for their children to go to college that it becomes a practical impossibility.

In view of all the tax credits, deductions, and loopholes which exist in our tax laws, I am rather shocked that the executive branch of our Government continues to resist the giving of assistance to these people who are the backbone of America.

The time has come to do something for the middle-income families of the Nation. Proposals have been made year after year. This proposal was made 2 years ago. It was narrowly defeated at that time.

I hope the Senate agrees to this amendment this year. However, I assure the Senate that, as long as I am a Senator, I will bring this matter up year after year until it meets with success. I am sure that the time will come when Congress and the executive branch of the Government will recognize that something must be done to alleviate the financial burdens of the middle-income families of America who, through self-respect, want to pay their own expenses in educating their children in the colleges of this country.

ORDER FOR ADJOURNMENT UNTIL MONDAY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that, when the Senate completes its business this afternoon, it stand in adjournment until 12 o'clock noon on Monday.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ESTATE OF BART BRISCOE EDGAR, DECEASED

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 992, H.R. 3076.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 3076) for the relief of the estate of Bart Briscoe Edgar, deceased.

Mr. MANSFIELD. Mr. President, this bill has been cleared on both sides, and that is the reason for calling it up at this time.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H.R. 3076) was considered, ordered to a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1017), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to pay to the estate of Bart Briscoe Edgar, deceased, the sum of \$5,000 in full settlement of the claims against the United States for

the death of Bart Briscoe Edgar which resulted from injuries sustained when he was struck by a U.S. Army truck.

STATEMENT

A similar bill, accompanied by House Report No. 523 of the 88th Congress, was reported favorably by the House Judiciary Committee. The facts surrounding this legislation are contained in House Report No. 93 on H.R. 3076, and are as follows:

"Evidence adduced before the subcommittee which considered the merits of this bill disclosed that the Army truck which struck Mr. Edgar was 1 of a convoy of 10 trucks en route to St. Petersburg, Fla., via the Gandy Bridge. The convoy was proceeding across the bridge when a civilian vehicle owned by the General Foods Sales Co. and going in the same direction attempted to pass the convoy. As it attempted to pass, a car approached from the opposite direction causing the civilian driver to move to his right on the narrow bridge. This, in turn, caused the driver of the Army truck to swerve to his right to avoid a collision with the civilian vehicle. As he did so, the truck struck Mr. Edgar, who was fishing from the side of the bridge. Mr. Edgar died the following day from the injuries received.

The widow, Mrs. Bessie Irene Edgar, filed an administrative claim with the military authorities for damages arising out of the injury and death of her husband. The claim was disapproved by the local commanding officer on the ground that there had been no negligence on the part of the Army driver, the accident being unavoidable. Mrs. Edgar appealed this decision to the Secretary of War. The appeal was denied because in the meantime Mrs. Edgar had received a settlement in the amount of \$3,500 from the Hartford Accident & Indemnity Co. under its coverage of the General Foods Sales Co. and had executed documents releasing the civilian driver and the General Foods Sales Co. Such settlement with release operated under Florida law to bar further recovery from the Government as a joint tort-feasor.

Mrs. Edgar has stated that the settlement was accepted because she was in distressed circumstances with medical and funeral bills to pay, and a minor child to raise; she was given to understand the defense of the General Foods Sales Co., that the accident was due entirely to the negligence of the Army truckdriver, might be good; and she had been informed that she could proceed against the Government.

The Department of Justice and the Department of the Army are opposed to the bill on the ground that the estate of Bart Briscoe Edgar had its day in court and, to grant the proposed relief would nullify the provision of the Federal Tort Claims Act, which declares that claims against the United States must be determined by the law of the place where the act or omission occurred. It may be noted that the Federal Tort Claims Act was not enacted until August 2, 1946, which was more than a year after Mr. Edgar's death and some 2 months after the widow signed the releases referred to above. The act, however, provided for retroactive application to January 1, 1945.

In April 1950, Mrs. Edgar did file a suit under the Federal Tort Claims Act against the United States in the District Court for the Southern District of Florida for \$75,000 because of the death of her husband. On January 13, 1953, the court rendered a summary judgment in favor of the United States on the ground that it was the law of Florida, that a release of one tort-feasor released all others who may have negligently contributed to the injury.

FOREST ROADS

Mr. JORDAN of Idaho. Mr. President, there has been much recent discussion of the transportation needs of

America. But, in this discussion an important shortcoming of our national transportation system has received no mention. I refer to the inadequacy of our forest roads system. There is a demonstrable need for accelerated expansion of this system.

In 1962 the late President Kennedy submitted to Congress a 10-year program for roads in the national forests. He envisioned a system which would serve multiple objectives including the expanded use and management of resources and the enhancement of recreational and esthetic values. Unfortunately, the roads authorizations for fiscal years 1963 to 1967 lag behind the planned program by \$169 million. With a continuing rise in construction costs it is conservatively estimated that at the current rate of appropriations several decades will pass before an adequate transportation system can be built in our national forests.

This year Congress will consider authorizations for forest roads and trails for fiscal years 1968 and 1969. There is ample evidence to justify increasing expenditures for this program to a level substantially above that of the recent past.

An expanded system of mainline, multipurpose conservation roads would enlarge recreational opportunities fulfilling a need which is difficult to measure in dollars. The President's message on transportation emphasized the necessity for coordination and creativity to meet the growing transportation requirements dictated by urbanization. However, the explosion of population and growth in leisure time which contribute essentially to urban problems also have their effect on regions far removed from city streets. This effect is felt in vastly increased recreational pressures on areas where city people go to experience the values of the great outdoors. There are more hunters, fishermen, campers, skiers, boaters, hikers and just people who want to look at natural scenery now than ever before. Our campgrounds are already overcrowded. To deal with this recreation explosion there are simply not enough roads to expand access in order to diffuse and distribute the pressure. Furthermore, the inaccessibility of much of our forest land results in damage to recreational and esthetic values through losses by fire, disease and the deterioration of trees due to age.

Opening up more of our forest lands with high standard roads will provide significant aid to thorough conservation management. Conservation in its truest sense implies wise use of resources, not a hands-off policy. A forest like a garden will not flourish without proper care. And this care involves not only nurturing healthy growth but also selective harvesting.

It must be recognized that transportation development and economic growth are interdependent. Millions of board feet of timber in mature and overmature trees are now being wasted because lack of access makes logging economically inoperable. A bigger and better forest roads system would curtail this waste and furnish an immense economic stimulus by providing the means to meet grow-

ing demands for forest products. It would encourage mining development and improve conditions for livestock transportation.

Controlled, conservation-oriented resource development which would follow the construction of multipurpose forest trunklines would result in the creation of new employment opportunities and in the improvement of the overall prosperity of communities near forested areas. New tax revenues would become available to counties and all other levels of Government. The processing and marketing of new supplies of food, fiber and ores would influence the economy far beyond local boundaries.

Interpretation of the Land and Water Conservation Fund Act of 1965 seems to preclude applying moneys from this fund to improving roads in national forests. Trying to finance such roads by requiring timber operators to build them places an unfair burden on a single user. And timber operators generally are not in a position to finance the building of high-standard mainline conservation roads designed to serve the concept of multiple use.

Therefore the fairest and most effective way to meet the need for these roads is through Federal appropriations from general funds. Advantages of an expanded forest road system to recreation, conservation, and development far outweigh reservations about increasing the expenditures for construction. In the long run, forest road expansion will more than pay for itself.

The Legislature of the State of Idaho has forwarded a joint memorial urging the Congress of the United States to act promptly and affirmatively on this matter.

I ask unanimous consent that Senate Joint Memorial 1, recently passed by the Legislature of the State of Idaho, be printed in the RECORD at this point.

There being no objection, the memorial was ordered to be printed in the RECORD, as follows:

SENATE JOINT MEMORIAL 1

Joint memorial to the honorable Senate and House of Representatives of the United States in Congress assembled

We, your memorialists, the Legislature of the State of Idaho, respectfully represent that:

Whereas the lack of an adequate transportation system is the greatest deterrent to the full use of the natural resources in the national forests in the State of Idaho; and

Whereas under the present rate of road construction, it will take 100 years to complete an adequate national forest conservation road transportation system: Now, therefore, be it

Resolved by the 2d extraordinary session of the 38th session of the Legislature of the State of Idaho now in session (the Senate and House of Representatives concurring), That we most respectfully urge the Congress of the United States of America to proceed at the earliest possible date to enact the necessary legislation to authorize the financing of primary national forest conservation roads from the general funds of the U.S. Treasury and to provide an appropriation commensurate with the urgency of the demonstrated need; and be it further

Resolved, That the secretary of state of the State of Idaho be, and he hereby is au-

thorized and directed to forward certified copies of this memorial to the President and Vice President of the United States, the Speaker of the House of Representatives of the Congress, and to the Senators and Representatives representing this State in the Congress of the United States.

COURT RULES CHRONIC ALCOHOLIC NOT CRIMINAL

Mr. JAVITS. Mr. President, in connection with the bill to treat alcoholism as a disease—which it is, the fourth most lethal disease in the country—the U.S. Fourth Circuit Court of Appeals recently held that a chronic alcoholic cannot be stamped as a criminal “if his drunken public display is involuntary as the result of the disease.” The court pointed out that the decision does not preclude appropriate detention of the alcoholic for treatment and rehabilitation so long as he is not marked a criminal. It was also emphasized that an intoxicated person in a public place might be arrested, but criminal prosecution if the individual is a chronic alcoholic would “affront the eighth amendment as cruel and unusual punishment.”

The decision in this important case underscores the fact that alcoholism is the fourth most serious health problem in the Nation and that the alcoholic should be given medical attention.

I ask unanimous consent to have printed in the RECORD at this point the decision of the U.S. Court of Appeals for the Fourth Circuit in the case of Joe B. Driver against Arthur Hinnant, superintendent of the Halifax County Prison unit of North Carolina State Prison Department, decided January 22, 1966.

There being no objection, the decision was ordered to be printed in the RECORD, as follows:

[In the U.S. Court of Appeals for the Fourth Circuit, No. 10,166]

JOE B. DRIVER, APPELLANT, VERSUS ARTHUR HINNANT, SUPERINTENDENT HALIFAX COUNTY PRISON UNIT OF THE NORTH CAROLINA STATE PRISON DEPARTMENT, APPELLEE

(Appeal from the U.S. District Court for the Eastern District of North Carolina, at Raleigh. Algernon L. Butler, chief district judge)

Argued December 7, 1965. Decided January 22, 1966. Before Bryan and Bell, circuit judges, and Maxwell, district judge.

Anthony Mason Brannon (Brannon & Read on brief) for appellant, and Theodore C. Brown, Jr., assistant attorney general of North Carolina (T. W. Bruton, attorney general of North Carolina, on brief) for appellee. The American Civil Liberties Union, the National Capital Area Civil Liberties Union, and the Washington Area Council on Alcoholism submitted a brief as amici curiae.

ALBERT V. BRYAN, circuit judge. The question is whether a chronic alcoholic, as appellant Joe B. Driver has proved and confesses to be, can constitutionally be criminally convicted and sentenced, as he was for public drunkenness.

Admitting the truth of the charge under the North Carolina statute, he grounded his defense on the 8th amendment, applied to the States under the due process clause of the 14th, barring the infliction of “cruel and unusual” punishment. His argument may be condensed in this syllogism: Driver's chronic alcoholism is a disease which has destroyed the power of his will to resist the constant, excessive consumption of alcohol;

DIGEST of Congressional Proceedings

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HIGHLIGHTS: Both Houses received President's Federal pay-fringe benefits message. Sen. Promire criticized child nutrition proposal. Rep. Findley criticized administration's massive dumping of corn." Rep. Pirnie criticized administration's agriculture budget. Rep. Cooley introduced child nutrition bill. Rep. Cooley introduced bill to establish minimum price support level for peanuts.

SENATE

1. **PERSONNEL; PAY.** Both Houses received the President's message on Federal pay and fringe benefits in which he: Recommended enactment of a pay raise for Federal employees, effective Jan. 1, 1967, ranging from 1 percent in the lower grades to 4 percent in the upper grades. Proposed optional retirement on full annuity for employees at age 55 with 30 years of service, and authority for the Government to retire involuntarily, at age 55, employees in grades GS-13 and above who have 30 or more years of service. Stated that we should guarantee that retirement, disability, and survivor benefits are at least equal to benefits payable under the social security system. Stated that we should provide

for the transfer to the social security system of service credits of employees who die, become disabled, or leave Federal employment before becoming eligible for Federal retirement benefits. Recommended that retirement contributions by both employees and the Government be raised from 6 1/2 to 7 percent, effective Jan. 1, 1967. Recommended a phased 2-year increase in the Government's contribution to the employee health benefits program, with the first increase effective Jan. 1, 1967, and the second effective Jan. 1, 1968, so as "to restore the ratio of costs to the Government and costs to the employees." Proposed extension of medicare to Federal civilian employees; continuation of benefits until age 22 for those surviving children of deceased Federal employees who are continuing their education; computation of benefits on the basis of a guaranteed disability minimum to widows of employees who die after retirement for disability; and continuation of benefits for a surviving widow if she remarries after age 60. Recommended appropriations to the Labor Department for collection and evaluation of information on non-Federal fringe benefits. (H. Doc. 402) To H. and S. Post Office and Civil Service Committees. pp. 4805-7, 4868-70

2. TAXATION. Continued debate on H. R. 12752, the proposed Tax Adjustment Act of 1966. pp. 4940-3, 4961-8, 4971-84
3. FOREIGN AID. The Foreign Relations Committee voted to report (but did not actually report) without amendment H. R. 12169, to authorize supplemental appropriations for the foreign aid program. p. D169
4. MILK; CHILD NUTRITION. Sen. Proxmire criticized the proposed child nutrition program and stated that he was shocked after talking with officials of this Department to discover that the proposed program "could mean less, not more, milk for the needy even though the principal aim of the legislation is to provide free milk for the needy as well as milk for children who attend a school which does not have a school lunch program." p. 4894
5. FOOD FOR FREEDOM. Sen. Mondale stated that questions have been raised on the proposed Food for Freedom program regarding the need for other advanced countries to play a larger role in the war on hunger, the importance of accelerate food assistance programs in providing an expanded market for U. S. products, and that private enterprise must play a greater role in setting up fertilizer plants, fortification of foods, and processing of farm products, and he inserted several items on the subject. pp. 4923-7
6. HAWAII. Sen. Fong inserted editorials discussing the economic development of Hawaii, including the agricultural industry. pp. 4932-5
7. NATIONAL PARKS. Sen. Metcalf inserted an editorial supporting the proposed establishment of the Redwood National Park, Calif. p. 4920
8. ECONOMICS. Sen. Proxmire inserted an article, "Appraisal of Current Trends in Business and Finance." pp. 4893-4
9. HEALTH CLINICS. Sen. Neuberger stated that Federal and State health programs in recent years has added to the increasing rate of problems faced by local participating clinics and inserted an article, "Financing a Small Community mental Health Clinic." pp. 4899-4901

American foreign policy. In it, he is seeking to open up the most closed part of the foreign policy mind of America—our relations with Communist China.

One has to have been in this body in the late 1940's and early 1950's to know how fraught with emotion this subject is, and how hard it is for anyone to talk about it with reason. That is exactly why it has been a closed book in the State Department and the administrations of the last 17 years.

But keeping the subject closed has not changed the fact that it is there, and that events, conditions, and possibilities have shifted and changed as much in that area of our international relations as they have in every other area in these 17 years.

When I hear that Communist China is an aggressive, militant power that must be brought into peaceful coexistence by means of fear of American military power, I am reminded that, although we applied that principle to the Soviet Union with some success, we coupled it with many other policies toward Russia that are still missing from our policy toward China.

For example, we withheld diplomatic recognition from the Bolshevik government of Russia for about the same length of time that we have now withheld recognition from the Communist government of China. But when the cold war began, and when it culminated in the Cuban missile crisis, our diplomatic relations with the Soviet Union were a key element in enabling us to judge for ourselves her interests and possible responses.

In fact, if we had not had diplomatic relations with Russia at the time of the October 1962, missile crisis, I do not think there is any doubt about the fact that we would have been at war with Russia. It was only because we had well-traveled diplomatic avenues open that it was possible for the President of the United States and the head of the Russian government to communicate with each other.

What is sorely needed at this critical time, when war clouds between the United States and China are gathering, is communication between the United States and China.

The presence of the Soviet Union in the United Nations has been another factor in exposing her leaders to world opinion and discussion, which is not present in the case of China.

Further our trade and cultural and tourist exchange with the Soviet Union, including the visit of Mr. Khrushchev to this country, have had some slight effect in achieving the state of mind that enables the Soviet Union and the United States to think of each other as people, rather than as the disembodied dogmas that the Senator from Arkansas has talked about.

How well I remember the latter part of November, when, as chairman of the Senate delegation—the Senator from North Dakota [Mr. BURDICK] is on the floor, and he knows whereof I speak, because he was a member of my delega-

tion—we went to Hong Kong, because the administration had urged us to go to Hong Kong, for a briefing on Chinese problems. We had a briefing by our great Foreign Service officer there, the Consul General, Mr. Rice. In our discussions we talked about China's economic conditions. In that briefing came the information that the Chinese people have not been as well fed in decades and decades and decades.

When a question was asked by one of our delegation as to whether there is not starvation in China, we were told there is not. In that briefing we were told that China has crop failures. There are areas of China that suffer from drought and failures because of weather conditions. But it was suggested, as the Senator from North Dakota will remember, that perhaps it would be a good idea to take my delegation to one of the largest Communist banks in Hong Kong. We were told they would be very proud to show it to us. We were told that that large Communist bank last year had an exchange benefit of more than one-half billion dollars. Then it was said to us, that is where they get the money to pay for Canadian wheat.

Then there was a little discussion about trade policy. No one could listen to it without recognizing the shortsightedness of American policy vis-a-vis China.

I come from the west coast. Business interests up and down the west coast have visited me for years, urging that we recognize the advisability of engaging in trade with China in nonstrategic goods. Canada does it, and Canada has taken away from the United States our historic wheat trade program with China.

The Senator from Kansas [Mr. CARLSON], from a great wheat State, sits on the floor of the Senate. He will not deny I am sure, what has developed over a great many years with respect to the wheat trade with Kansas. As far as Asia is concerned, China was the chief purchaser of American wheat for years. Now Canada enjoys that benefit.

What are we gaining by it? What is this kind of economic isolationism leading us to? What is this kind of economic isolationism vis-a-vis China leading us to? In my opinion, it is contributing to an oncoming war with China.

I am proud to sit at the feet of the great Senator from Arkansas [Mr. FULBRIGHT], who has the courage and the foresight to tell the American people, as they are being swept up in waves of patriotic hysteria—which is really false patriotism—that they are following a mistaken course of action in regard to United States-China relations.

Mr. President, we will not be able to contain China with American bombs. We will not be able to contain China solely with American military forces. But it appears that we are ready to try.

These are times when Americans in seats of responsibility should be willing to give the American people that forewarning. I think it is the height of national stupidity to think we can win a

peace after a war with China, for all that the hundreds of millions of Chinese will do will be to dig in for as long as it takes to throw the United States out of Asia.

The interesting thing is that is what most Americans would do if they were Asians in the same situation.

When are we going to learn that no Western power, including the United States—just as the other Western powers have already learned—will be able to maintain a position of domination in Asia? That era is gone.

These are times when we had better take a look at what our future position is going to be vis-a-vis Asia and China, and recognize that the course of action the United States calls military containment is an insurance policy for war. That is going to be the end result.

So I say that if the Senator from Arkansas had never done another thing on behalf of public enlightenment—and he has done a great many things—his speech today and the hearings he will open tomorrow would be all the monument necessary to his devotion to a foreign policy based upon information and reason.

Judging from the ease with which military solutions are talked up for every American difficulty in the Far East, one wonders whether we should not at least get to know China better before we have a war with her. Yesterday, for example, we heard again, but this time from an administration confidant, the proposal that we mine the North Vietnamese harbor at Haiphong. With Americans, mining the harbor seems to be in somewhat the same class as bombing—it sounds neat and sanitary and seems to avoid the messy elements of war that are distressing to watch on television screens.

But no one has mentioned the fact that every navy that has minelayers also has minesweepers. The military technology of mines has not been discussed, but it has been true in the past that mines can be swept as well as laid out. It may be that the United States has developed something new in this respect. But if we did place mines so as to intercept shipping into Haiphong, we would have to assume that Soviet or Chinese minesweepers would try to get rid of them.

I cannot imagine Soviet freighters, for example, going through a mine field without the Soviet Navy first trying to get rid of the mines. I cannot imagine the Communist flag of Russia lowering itself to a blockade of Haiphong, an American blockade of Haiphong.

That is a risk that, in my judgment, those responsible for the leadership of the United States should never run. That is a risk which, in my judgment, the leaders of this Government cannot justify taking in future American history. That is a risk that, in my judgment, augurs very well the terrible danger of a war with China and Russia. That is why I think we ought to heed the Senator from Arkansas when he is pleading with us to change our course of action from one obviously designed for unconditional surrender in southeast

Asia to a program of accommodation, to a program of recognizing that Asia is entitled to exercise a voice in determining the policy of Asia.

Is this mine laying something we would have to keep going back to, to do over and over, while the Chinese or Russians kept sweeping them out? At what point would American Navy vessels begin intercepting the mine sweepers?

The idea that we can use our military power in ways that will damage an enemy without annoying anyone else or leading to further incidents and confrontations that continue to expand the war is one of the great fallacies of our thinking about Vietnam. Putting mines anywhere around Haiphong is going to mean confrontations at some point with nations whose vessels are sunk or which send their own military vessels to protect their freighters.

Let us stop thinking we can bring this or any other form of force to bear upon North Vietnam without suffering some kind of consequence to ourselves by way of additional problems and additional opposition.

Here is another easy fallacy in our thinking about China. What would be the American response to a mine laid by China or Russia in the Gulf of St. Lawrence? The idea that just because we have always done pretty much as we pleased in pre-Communist China we can go on doing pretty much as we please anywhere on her borders is going to lead to war with China unless we find additional means—nonmilitary means—to use at the same time, to bring her to a sense of community responsibility rather than opposition to the free world.

There is no question about her irresponsibility so far as her leaders are concerned. It saddens me, but I say it because I believe it: Her irresponsibility compares with our own irresponsibility. Her irresponsibility compares with the irresponsibility of our own leadership, for, in my opinion, our own leadership is taking us closer to a war with China.

I do not know whether it is possible to get Red China to assume some sense of responsibility, given the climate that prevails in the present administration. I feel we must change our course of action, at least to the extent of adding to it the nonmilitary means of reaching a state of peaceful coexistence. That effort must be made. The great statesman from Arkansas, the chairman of the Foreign Relations Committee, is trying to point the way to a program of statesmanship as a substitute for what I consider to be the military and political expediency on the international scene of our present administration.

The Senator from Arkansas [Mr. FULBRIGHT] outlined briefly the history of China's relations with the West. In it he mentioned the "open door" policy of the United States. Had I been here when he made his speech, I would have asked him this question.

Was it not true that the purpose of the open door policy was to safeguard the commercial interests of the United States against the possibility that European extraterritorial rights in China might become the means of gaining trade privileges at our expense?

I intended to ask him that question when he was discussing this problem on page 4 of the manuscript, as the advance copy was handed to me. I ask the question rhetorically. I would supply the RECORD with my own answer to it.

In his circular telegram to our embassies in Berlin, Paris, London, Rome, and St. Petersburg, at the time of the China crisis of that day, John Hay said:

If wrong is done to our citizens, we propose to hold the responsible authors to the uttermost accountability. The purpose of the President is, as it has been heretofore, to act concurrently with the other powers first, in opening up communication with Peiping and rescuing the American officials, missionaries, and other Americans who are in danger; second, in affording all possible protection everywhere in China to American life and property; third, in guarding and protecting all legitimate American interests; and fourth, in aiding to prevent a spread of the disorders to the other provinces of the empire and a recurrence of such disasters. It is, of course, too early to forecast the means of attaining this last result; but the policy of the Government of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve Chinese territorial and administrative entity, protect all rights guaranteed to friendly powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with all parts of the Chinese empire.

Mr. President, undoubtedly the American desire to keep all of China accessible to American interests served to offset somewhat the European demands for exclusive rights; but our motives were still those of self-interest and not motives for the benefit of China itself.

If we are going to further the cause of peace, an honorable peace, if we are going to further the cause of substituting the rule of law for America's military jungle law in southeast Asia, it is for us to recognize that the time has come for a change in American policy vis-a-vis China, to follow the leadership of the Senator from Arkansas [Mr. FULBRIGHT], to recognize that, now, not the Chinese closed-door policy but the U.S. closed-door policy should be changed in China, and that we ought to recognize that an accommodation should be worked out.

As I have said so many times in this historic debate, these despicable Chinese leaders are going to leave the scene sooner or later. Time will overtake them. But the masses of Chinese people will carry on, and as enlightenment develops, as they become better and better informed and educated, perhaps through increased contacts with the West, as they enjoy greater benefits of economic freedom over the course of years, this great reservoir, now empty of United States-China good will, can be filled again. I am interested in filling that reservoir of United States-China friendship.

I still think that we ought to start filling that reservoir and that is why I must go on record once again, this time in support of the historic speech of the Senator from Arkansas [Mr. FULBRIGHT], in pleading with my Government that it stop a policy that obviously is designed to contain China through military force alone and face the fact that we can never militarily contain China, for if we follow the policy we will take America to a war

that can lead not only to a war with China but the beginning of world war III. That is my plea.

I hope that the voice of the Senator from Arkansas will be heeded before it is too late.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. SMATHERS. Mr. President, the Nation has enjoyed 5 years of uninterrupted economic expansion. There has been a steady upward climb since early 1961—in gross national product, in employment, in personal income, and in corporate profits.

We have come a long way over the past 5 years. We now have a high-level balanced prosperity—and a new set of concerns: Can we keep a destructive price-wage spiral from getting underway? Will there be enough plant capacity to produce all the goods and services we seek? Can we avoid bottlenecks in major industries or key skills that would hamper our defense effort or our economic expansion? And, of paramount importance, we must provide additional revenues required by the conflict in Vietnam.

All this has a great deal to do with the tax measure, H.R. 12752, now before us.

While our tax system—particularly at a time when we are approaching full employment and full use of our industrial capacity—has powerful revenue-generating capacities, the amount of revenues we could expect in fiscal 1966 or 1967, under present tax laws, will not be sufficient to maintain the right fiscal balance during the coming year.

In view of the demands of the Vietnam situation and the domestic economic environment, President Johnson concluded—correctly, I think—that the budget receipts we would get without this pending legislation would be too low in relation to the costs of the conflict in Vietnam.

Last month, in a letter to the chairman of the House Ways and Means Committee, President Johnson defined the three choices he faced:

A deficit in excess of \$6.5 billion, which would require the Government to borrow the additional money.

An increase in corporate and personal income tax rates, or other new taxes.

Temporary restoration of certain excise taxes, and adoption of graduated withholding of individual income taxes and current payment of corporate income taxes—to increase revenue without a general tax increase.

The President chose the third alternative—which he called—and note these adjectives—moderate, equitable, responsible and essential. And he also assured us:

If our needs in Vietnam require additional revenues, I will not hesitate to request them.

In our Senate Finance Committee hearing on this bill, Mr. President, I questioned Secretary of the Treasury Fowler closely on another subject—the threat of inflation.

Secretary Fowler made it clear that administration officials are concerned about inflation. But he also stressed it would not be wise to impose additional measures of restraint on the economy—in addition to those reflected in the tax bill now before the Senate or in the President's budget and economic reports—unless or until “unforeseen inflationary pressures” develop.

Now, Mr. President, I would like to discuss certain features of the pending bill—one that, aside from its moderating influence on the expenditures of individuals and business firms, will produce an additional \$1.1 billion in revenues during the current fiscal year and \$4.8 billion in fiscal 1967. The key revenue features of the bill would—

First. Put into effect, starting May 1, 1966, a new graduated withholding system for the collection of individual taxes on a pay-as-you-go basis.

Second. Restore, temporarily, the 7-percent manufacturers excise tax on new passenger automobiles that was in effect prior to January 1, 1966, but allowing this rate to drop 2 percent on April 1, 1968, and to 1 percent on January 1, 1969.

Third. Reinstate, also on a temporary basis, the 10-percent excise tax on telephone service. The bill provides that this rate would drop automatically to 1 percent on April 1, 1968.

It would be completely removed on January 1, 1969.

Fourth. Provide for a speedup in the payment of income taxes by larger corporations, so that, with respect to tax liabilities in excess of \$100,000, a corporation would move to a current-payments basis by 1967 instead of 1970, as provided by the Revenue Act of 1964.

Fifth. Require self-employed persons, starting in 1967, to pay social security taxes on a quarterly estimated basis. They are now required to pay their income taxes on a quarterly estimated basis.

The proposals relating to the corporate income tax, the graduated withholding system, and payment of social security taxes by the self-employed on a current basis would not alter anyone's final tax liabilities. These proposals have to do with when the taxes are to be paid and, I repeat, do not represent tax increases.

The tax bill now before us involves a structural improvement in our tax system.

Even if the enactment of a graduated withholding plan for individual income-tax payers had no economic or revenue effects—and it has both—it would be very worth while.

The graduated withholding plan increases no taxpayer's final tax liabilities—but it certainly will help to solve the problem faced by many Americans who find the present 14-percent flat-rate withholding system leaves them holding the bag when April 15 rolls around.

The same time that some taxpayers find they owe a very substantial amount to the Federal Government at income-tax time—that is, April 15 for most of us—there are many other Americans who find the present system results in substantial amounts of overwithholding for them. This has been particularly true for the lower income taxpayer.

The bill now before us, Mr. President, does not solve all the problems of overwithholding or underwithholding for the more than 63 million American taxpayers who are covered by the withholding system. But, as the tables in the committee's report make clear, the six-bracket graduated withholding plan involves very substantial structural improvements in the withholding system.

One of these improvements, which has received very little public attention, involves the incorporation of the minimum standard deduction, which we approved as part of the Revenue Act of 1964, into the graduated withholding plan. This, coupled with other features of the graduated withholding plan, will reduce overwithholding for many taxpayers with incomes of \$5,000 or less per year.

This bill, Mr. President, will reduce from 20 million to slightly under 13 million the number of tax returns in this income group where overwithhold exceeds \$10 annually. It will thus serve to boost the number of break-even situations by a very substantial number.

Here I am talking about 15.4 million individual taxpayers with incomes of \$5,000 a year or less, who, under the new system, will be in this break-even group. The present system permits only about 8.4 million of such taxpayers to be in the break-even category—that is, in the category where the amount of withholding is within \$10 of final tax liability.

The committee bill also will make the withholding system more equitable for other income groups, as well, both in terms of the number of tax returns involved and the amount of dollars involved. The amount of overwithholding now averages out, under the present 14-percent flat-rate system, to about \$136 per taxpayer. This will be reduced under the bill to about \$124. The comparable figures for underwithholding are: The average per taxpayer affected by underwithholding now is \$151 per year. Under the committee bill, this average will be pulled down to \$79 per year.

It might be theoretically possible to change the Federal income tax withholding system to such a degree that the withholding system would work almost perfectly for all taxpayers—all 63 million or so wage and salary earners who are covered by the system. However, the search for tax equity can be carried to such a point that another equally important goal of tax policy—simplification—can be drowned in a sea of redtape.

I think the committee, in approving President Johnson's recommendations with some modifications, has come up with recommendations providing a graduated withholding plan that will be both workable and much fairer for all taxpayers.

Prior to the switch over to the new graduated withholding system, of course, the Internal Revenue Service must acquaint employers with the way the new system will work, but the Revenue Service has repeatedly demonstrated its capability for handling an assignment of this sort.

Once the format of the new withholding system is set, IRS will prepare a new “Employer's Tax Guide,” the necessary tables, and so on, to permit the new system to get underway smoothly.

In place of the present 14-percent flat-rate withholding system—where an employer withholds only that amount unless there is a voluntary election on the part of the wage earner to have a larger amount withheld from his wage or salary—the new system will scale the withholding to a six bracket approach, ranging from 14 to 30 percent.

While the present system takes into account only the number of exemptions the employee lists with his employer, and the 10-percent standard deduction, the new system will reflect also the minimum standard deduction which was approved as part of the 1965 Revenue Act.

The bill now before the Senate also contains special relief provisions, which will come into play starting next year.

These are designed to permit persons with substantial itemized deductions to increase the number of their withholding allowances, if certain tests are met.

Both the Ways and Means Committee and the Senate Finance Committee reasoned that 1967 would be a better starting time for the special relief features.

Since the graduated withholding system will be in effect only 8 months of this calendar year, the situation—overwithholding for some taxpayers with larger than usual itemized deductions—will not be a serious problem this year in view of the underwithholding that will generally exist during the first 4 months. Further, there was a desire expressed all around to get the new system quickly into operation with a minimum of administrative burdens for both taxpayers and the tax service.

Tables will be worked out to reflect the technical language of the law, relating to the special relief provisions. Thus, no taxpayer will be obliged to apply a complicated formula to his own individual situation to determine whether or not he is eligible for one or more additional withholding allowances.

As under the present system, employers will be permitted to compute withholding by means of either a percentage method or wage-bracket tables. The Internal Revenue Service will distribute wage-bracket tables for the various payroll periods now recognized. The Revenue Service also will supply instructions for the use of the percentage method.

For irregular supplemental wage payments—such as a bonus for a salesman—employers will be permitted to either apply a flat percentage rate to the supplemental wage payment without making any allowance for exemptions, or treat the payment as if it were part of the current or preceding regular wage payment. Where a flat percentage rate

is used, regulations to be issued by the Treasury or Internal Revenue Service will specify a flat rate of about 20 percent.

As under present law, claims for withholding allowances will be filed under the new system by the employee with his employer. However, the number of times per year the employer will be required to recognize changes in the number of exemptions and withholding allowances claimed by employee will be increased. At present, these dates are January 1 and July 1 of each year. The bill adds May 1 and October 1 each year as status determination dates. As under present law, employers will be permitted to put changes in exemptions claimed by employees into effect prior to the four so-called status determination dates if they desire to do so.

On the graduated withholding system generally, the Senate and House versions of the bill are pretty much alike.

While I have not attempted to discuss every aspect of the new graduated withholding system, I think it is clear that the new system will be a substantial improvement over the present 14-percent flat-rate system.

Next, I believe, Mr. President, there is the broadest public interest in the excise tax features of the pending bill. Therefore, I would like to discuss, briefly, why we decided to approve a 2-year moratorium on automobile and telephone excise tax reductions, rather than seeking the revenue elsewhere.

There are four main reasons—and they all are persuasive:

First. These excises involve a substantial amount of revenue.

Second. Both of these excise taxes are still in effect—unlike the many other we wiped off the tax books in 1965.

Third. The impact of the readjustment of excise rates on automobiles and telephone service would be spread over a broad segment of the American public because of the widespread ownership of cars and the use of telephones.

Fourth. And finally, to modify—and postpone for 2 years the gradual reduction of these excise levies—would involve relatively minor administrative and compliance problems for the industries involved. The adjustments would not require, for example, setting up new tax accounting procedures.

The bill now before the Senate differs somewhat from the President's recommendations. We did agree, however, to restore temporarily the 7-percent excise tax rate for new automobiles and the 10-percent rate for telephone service—rates which, under the 1965 excise tax relief bill, had dropped on January 1, 1966, to 6 percent in the case of automobiles and to 3 percent in the case of telephone service.

The pending bill would keep both of these rates—that is, the 7 percent for automobiles and the 10 percent rate for telephone service in effect until April 1, 1968, when they will automatically, under the legislation, drop to the lower rates Congress specified in the 1965 law.

On April 1, 1968, the automobile excise tax will drop to 2 percent, and on Jan-

uary 1, 1969, this excise tax will drop to 1 percent where it will remain.

Similarly, the telephone excise tax, under the committee's bill would stay at 10 percent until April 1, 1968. Then it would drop automatically to 1 percent, and on January 1, 1969, it will be removed entirely.

We estimate that the excise tax proposals will provide about \$35 million in additional revenues in the current fiscal year; and about \$1.2 million in fiscal 1967, starting July 1.

Not everyone is happy, of course, with the decision to restore, temporarily, the 7-percent manufacturers' excise tax rate on automobiles or the 10-percent telephone service excise. I did notice, however, that some outstanding auto industry leaders were not unduly alarmed by this proposals. The auto industry has had a series of great years—and 1966 looks no less promising for that industry because our action, in effect, will add only about \$22 to the retail price of the average new automobile—the same \$22 which was taken off only last January.

All in all, Mr. President, the excise tax features of this bill shape up as the appropriate steps to take at this time. I support them; the committee supports them; and I think the Congress should enact them.

I expect, Mr. President, to have something to say later about the amendment, which I understand will be offered on the floor, to substitute suspension of the 7-percent business investment tax credit for the excise tax features of this bill.

At this time, however, I would like to make some general comments on why we should not modify the investment credit, as part of this bill which is designed to meet current revenue needs associated with the Vietnam situation.

The Finance Committee considered the idea of substituting suspension of the investment credit for the excise tax proposals in this bill, and rejected it. We should reject it here.

We approved the investment credit to provide a long-range incentive for growth and modernization of our productive capacity. It has been successful. The added capacity and efficiency that have resulted from the operation of the credit along with the new depreciation guidelines since 1962 are of tremendous value to our economy and our defense effort now. The credit is one of the key weapons in assuring a strong and sustainable level of investment to add to our productive capacity and efficiency.

The suspension of the credit would discourage new orders and commitments and this in turn would result in a cut-back in investment and capacity at a later period. There is a considerable "leadtime" in carrying out investment projects. The investment credit becomes available when assets are put in service and hence present contracts are being undertaken in reliance on the availability of the credit when the project is completed.

As President Johnson has stated, it is not necessary or desirable to change individual or corporate final tax liabilities in response to the current economic situ-

ation associated with Vietnam expenditures.

Nor should we overlook the contribution of the investment credit to our balance-of-payments situation in two direct ways:

First, it makes investment here in the United States more attractive, and second, it encourages modernization and cost cutting to strengthen our export position.

To suspend the investment credit in a world in which investment incentives are widely used in foreign tax systems under which our international competitors operate would weaken our international competitive position.

Looking back a bit, Mr. President, I recall that 3 or 4 years ago there was widespread concern about the weakness of investment demand.

But the fiscal measures—including the investment credit of 1962—served to strengthen both consumer demand and incentives for business to modernize and expand.

The Council of Economic Advisers—in discussing the longer term prospects in the 1966 annual Economic Report, summed up the present situation in this way:

Business investment programs in the past 2 years seem to have added to capital in the right places and in appropriate amounts.

Aside from the longer term implications, Mr. President, I just don't see any merit in suspending the 7-percent investment tax credit at a time when American industry is operating—as it is today—so close to full utilization of capacity.

To cut back the expansion of the American economy, through a suspension of the investment tax credit, would, it seems to me, seriously hamper the efforts of business to cut costs and to avoid bottlenecks and production delays.

We won't make much headway against inflation by cutting down the capacity of business firms to meet the high-level demand we now anticipate in the months ahead.

Without going into more detail, I think it is obvious that the amendment sponsored by the senior Senator from Tennessee has no place in the tax adjustment bill now before us.

The proposal to suspend the business investment tax credit is not a good idea, either for the short-range or the longer pull.

It certainly is not a suitable substitute—either in its potential economic effect or in its revenue aspects—for the excise tax provisions of the pending bill (H.R. 12752).

The administration does not favor suspending the business investment tax credit.

For all of these reasons, I urge the Senate to reject such proposals.

Mr. President, the provisions of the legislation before us today are sound. Laying aside for the moment the excise restorations, these provisions represent real improvements in our tax law which will help to make our pay-as-you-go tax system more effective and more equitable—both for corporations and for individuals.

It would have been beneficial from the taxpayers' viewpoint to make these changes before. But we have not had an appropriate opportunity before now to recommend them, since they involve a substantial increase in tax receipts—even though this increase is of a one-shot nature. Now we need just such an increase—not only to help meet our obligations in Vietnam but also to help us to meet the possible threat of inflationary pressure.

These tax changes are sound changes at any time, but they are particularly sound changes to make at this time.

Permit me at this time to briefly summarize what I have already stated.

This bill is carefully designed to provide the additional revenues needed in this period of a high level of military expenditures in South Vietnam.

The revenues will have their greatest effect on the status of the budget during fiscal year 1967 but the economic effect will be felt earlier, in fiscal year 1966.

The President's present plans call for a level of expenditures for the Vietnam operations of \$10.5 billion in the fiscal year 1967.

This is an increase of \$4.7 billion over the \$5.8 billion level in the fiscal year 1966.

This rapid increase in expenditures—more than 10 percent above the level of all expenditures in fiscal 1965—comes when the economy is approaching full employment and creates the very real danger of serious inflationary pressures while the growth of defense expenditures is taking place.

The nature and timing of the tax changes in H.R. 12752 will siphon off the dangerous margin until the normal growth of the economy and tax revenues generate the normal built-in restraints against inflation.

At the present time, the economy is near full employment. We have reached the interim goal of 4 percent unemployment of the labor force sought by Presidents Johnson and Kennedy.

It is quite likely that unemployment will fall near to 3 percent of the labor force by December of this year.

Manufacturing output rose to 91 percent of full capacity utilization in December 1965, only 1 percent below the preferred operating rate. As we would expect, several industries are operating above this level at the present time.

The wholesale and consumer price indexes rose more rapidly during 1965 than during any of the preceding 4 years.

While the greatest increases occurred in food and medical services, the prices of industrial materials and products also rose at a faster rate than in the 4 years before.

Increasing defense expenditures at this time add to demands from the private sector of the economy, and their impact already is reflected in the indexes of prices, capacity utilization and unemployment.

It must be apparent to every one of the Members of this body, as well as to many other observers, that some kind of restraint must be placed upon the economy to avoid a serious explosion of prices. Therefore, we must be careful, and pre-

scribe just the correct medicine and quantity of medicine to meet the present situation. It is a delicate problem, and there is as much danger from prescribing too much medicine as there is from too little medicine.

The tax changes contained in H.R. 12752 have been planned to offset the timing of the higher defense expenditures, the growing impact of private industrial and consumer spending, and the attainment of full employment of the labor force and industrial production.

The greatest impact of the increased defense expenditures—almost entirely due to Vietnam needs—is being felt right now in fiscal year 1966. The increase next fiscal year will be smaller, adding less of an economic impact to the economy at the time when full employment will be at hand.

The economic effect of the rise in defense expenditures will be felt most seriously in fiscal year 1967, after the rise in Government expenditures, as a result of the response by business and consumers to the income added to the economy by the new defense expenditures. It is at that time the tax changes included in this bill will have their greatest effect in providing price stability.

The major parts of the bill do two things. First, the tax collection procedures are altered to produce a more current payment pattern of tax liabilities, and these adjustments are timed to start the increase of collections in 1966 and 1967 when the need is greatest. These adjustments do not involve any changes in tax liabilities.

Secondly, the excise tax rates on automobiles and telephones will be restored to the levels in effect last December and will remain at those levels for a 2-year period. These higher tax rates will have important stabilizing effects, even though the additional taxes that will be paid by each taxpayer will be a modest amount. The sacrifice is far less than the "taxation by inflation" that we can expect if H.R. 12752 is not enacted.

The collection speedups on the corporation income tax and graduated withholding will provide economic restraint by reducing the currently available supply of cash to individuals and corporations. These provisions will require a rescheduling of plans and a deferral of some purchases into the future. It is hoped that the weight of these effects will be just great enough to bring about modifications rather than disastrous cancellations. The small increases in excise tax rates will strengthen this tendency.

In fiscal year 1968, after the impact of these new tax provisions, the continuing growth of the economy will continue to generate its normal growth of Federal tax receipts—about \$7½ billion a year. This increase will be large enough to provide a budgetary surplus in 1968 if the presently projected level of Federal expenditures, including Vietnam costs, can be maintained.

The normal growth in tax receipts also will be adequate to finance an additional increase in defense expenditures in the event that would become necessary.

All in all, I think we have a carefully

and responsibly designed fiscal program before us.

The changed pattern of tax collections and the excise tax rate increases are large enough—and timed properly—to offset the potentially inflationary margin of Federal expenditures and to continue the healthy growth of output and income.

It will permit us to meet our responsibilities in southeast Asia while at the same time reaching our long sought-after goal of domestic full employment.

It puts our economy into the position where it will be able to maintain its healthy growth in output and employment without the dislocations that would be inevitable if we had to step hard on the economic brakes and then release them abruptly.

And because Congress has recognized that President Johnson proposed moderate, equitable, responsible, and essential tax adjustments at this time, to meet primarily the revenue needs associated with the situation in southeast Asia, we have been able to move swiftly in considering and acting on this legislation.

I do not think it should go unnoticed, Mr. President, that our Chief Executive called upon us to act on these tax recommendations in his state of the Union message in mid-January.

Within days, the House Ways and Means Committee was working on the tax program.

Within a month after the President's request for action, the Tax Adjustment Act of 1966 was ready for House floor action.

And our committee started to consider the bill within 2 days of its House passage—that was on Friday, February 25.

Now the bill—approved overwhelmingly by our committee with no major changes—is before the Senate.

We are demonstrating—as we have demonstrated in the past—that the Congress can, indeed act both swiftly and responsibly to adjust our tax system to meet our obligations abroad and to keep our economy advancing at home.

I urge, Mr. President, that the Senate approve the bill.

COMMITTEE AMENDMENTS AGREED TO

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc and that the bill as thus amended be considered as original text for the purpose of further amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

ROLE OF WHITAKER & BAXTER IN CONNECTION WITH PROPOSED CONSTITUTIONAL AMENDMENT FOR LEGISLATIVE REAPPORTIONMENT

Mr. TYDINGS. Mr. President, some days ago the distinguished Senator from Wisconsin [Mr. PROXMIRE], the distinguished Senator from Illinois [Mr. DIRKSEN], the minority leader, and I joined in a colloquy relating to the financial contributions and lack of financial reporting by a noted California public relations firm known as Whitaker &

Baxter. This firm has been, I understand, retained for the purpose of enacting a constitutional amendment, the so-called Dirksen amendment, or Senate Joint Resolution 103. This amendment would, in effect, permit the malapportionment of one house of a bicameral State legislature.

In this connection, I invite the attention of the Senate to a number of articles, one published in the Los Angeles Times, one in the Washington Evening Star, and one in the Boston Globe, each written by a different reporter, but all relating to the fact that the firm of Whitaker & Baxter has failed in any way to reveal the source of the financial contributions which have been made and which the firm is using in the operation of a rather extensive public relations effort to amend the Constitution of the United States.

I refer to an article written by John H. Averill, a staff writer, published in the Los Angeles Times of February 9, 1966. I ask unanimous consent that the entire article be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Los Angeles Times, Feb. 9, 1966]
DIRKSEN WILL POSTPONE REAPPORTION SHOWDOWN—MOVE REPRESENTS SUDDEN SHIFT IN STRATEGY TO CIRCUMVENT ONE-MAN, ONE-VOTE RULING

(By John H. Averill)

WASHINGTON.—With the odds seemingly against him, Minority Leader EVERETT M. DIRKSEN, Republican of Illinois, has tentatively decided to postpone an immediate Senate showdown on his revised legislative reapportionment amendment.

This represents a sudden shift in his strategy.

When Congress reconvened last month, DIRKSEN said he planned to seek action by mid-February on his proposed constitutional amendment to circumvent the Supreme Court's one-man one-vote ruling.

But he is now letting it be known that he probably won't attempt to take his amendment to the Senate floor until sometime in March and perhaps even later.

TACIT CONFESSION

Opponents of the DIRKSEN amendment immediately interpreted the minority leader's decision as a tacit confession he still lacks the votes to get it through the Senate.

DIRKSEN, however, continues to insist that his prospects have improved since last August 4 when an earlier version of his amendment was defeated, 59 to 39. Although this was a majority for the amendment, it was seven votes short of the two-thirds majority required for approval of a constitutional amendment.

After his August defeat, DIRKSEN rewrote the amendment in an effort to meet objections of some of his opponents. It retains the original objective, however, of seeking to give the States a means of escaping the one-man, one-vote ruling that both houses of State legislatures must be based on population.

DIRKSEN's new amendment would give a State's voters a chance every 10 years to choose whether they want both houses of their legislature based on population or to have one apportioned by other factors, such as geography.

CLAIM BY LIBERALS

Senate liberals who led the successful fight against the earlier Dirksen amendment last summer insist not only that their ranks re-

main firm but that they have picked up votes.

Some sources close to DIRKSEN are inclined to accept the liberals' assessment. But not DIRKSEN.

He has told associates he doesn't want to force action on his new amendment until the Senate has disposed of legislation authorizing additional military and economic assistance for the war in Vietnam. These bills, now pending in committee, are expected to be ready for Senate consideration by next week.

DIRKSEN's tentative decision to delay a showdown on his new amendment comes just 3 weeks after he told a televised press conference that a massive nationwide fundraising and publicity campaign had been organized in behalf of it.

SOLID FOUNDATION

The minority leader refused at that time to discuss details of the operation other than to say it has a solid financial foundation.

Those financial details remain shrouded in secrecy.

Whitaker & Baxter, a San Francisco public relations and advertising firm which is directing the campaign for the Dirksen amendment, will not discuss how much money has been raised or spent.

"We haven't released any figures and frankly we don't intend to," Clem Whitaker, Jr., the head of the firm, told a reporter. He said such matters "detract from the issue." He defined the issue as getting the Dirksen amendment through Congress and ratified by the States.

To conduct the campaign for the amendment, Whitaker & Baxter is directing a newly formed organization called the Committee for Government of the People.

The committee and a new Washington branch of the Whitaker & Baxter concern share a suite of offices in downtown Washington.

Although DIRKSEN is chairman of the new committee, the actual direction of it is under Robert M. Smalley, a Whitaker & Baxter partner who was formerly public relations director of the Republican National Committee.

At his January 19 press conference, DIRKSEN announced that the New York accounting firm of Price Waterhouse & Co. had been retained to audit contributions and expenditures of the new committee and would make a report public on its findings.

However, Price Waterhouse denied knowledge of this and referred a questioner to one of the firm's partners in San Francisco, Walter Baird.

Baird, in a telephone interview, said he serves as treasurer of the new Dirksen committee but added that "this has nothing to do with Price Waterhouse."

He said his function is to deposit contributions to the committee in the bank and then report to Whitaker & Baxter.

Although Whitaker & Baxter refused to divulge its fee for the Dirksen amendment campaign, records on file with the Clerk of the House of Representatives show that the Washington law firm of O'Connor, Green, Thomas, Walter & Kelly is being paid \$15,000, plus expenses, to lobby for the amendment.

Mr. TYDINGS. Mr. President, I wish to comment from the article. The following statement appears at about the middle of the article:

Whitaker & Baxter, San Francisco public relations advertising firm which is directing the campaign for the Dirksen amendment, will not discuss how much money has been raised or spent.

The article then quotes Clem Whitaker, head of the firm:

"We haven't released any figures and frankly we don't intend to." He said such matters "detract from the issue."

Further in the article, Mr. Averill states as follows:

At his January 19 press conference, Dirksen announced that the New York accounting firm of Price, Waterhouse & Co. had been retained to audit contributions and expenditures of the new committee and to make a report public on its findings.

However, Price, Waterhouse denied knowledge of this and referred a questioner to one of the firm's partners in San Francisco, Walter Baird.

Baird told a reporter in a telephone interview that he served as treasurer of the Dirksen committee, but added that this has nothing to do with Price, Waterhouse & Co. He said his function was to deposit contributions to the committee in the bank, and then to report to Whitaker & Baxter. Although Whitaker & Baxter refuse to divulge its fees to the Dirksen campaign, records on file with the House of Representatives, show the Washington law firm of O'Connor, Green, Thomas and Kelly as having been paid \$15,000 plus expenses to lobby for the amendment.

I refer now to an article entitled "Washington Close-Up," written by Paul Hope, and published on February 18. I ask unanimous consent that this article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD as follows:

WASHINGTON CLOSE-UP: DIRKSEN DRIVE PICKS UP HELPERS
 (By Paul Hope)

A well-heeled and professionally staffed campaign seems to be breathing some life into Senate Republican Leader EVERETT DIRKSEN's effort to lessen the effect of the Supreme Court's one-man, one-vote ruling.

DIRKSEN is fighting for congressional approval of his constitutional amendment to let the people of each State decide whether they want one house of their legislatures to be apportioned on factors other than population. The Supreme Court has ruled that both the upper and lower houses of State legislatures have to be based as nearly as possible on population.

A Dirksen lieutenant claims the Senator is within three votes of having the two-thirds necessary to get the amendment through the Senate. Last year it failed by seven votes. It is expected to come up again next month.

DIRKSEN claims the Supreme Court ruling, which is throwing control of State legislatures to urban areas, is upsetting the system of checks and balances developed by the Nation's Founding Fathers. He calls the situation the gravest constitutional issue ever to confront representative government in the United States.

DIRKSEN's new effort to drum up grassroots and congressional support is being run by a team of professionals out of a five-room suite in a downtown Washington office building.

Those in charge will talk about almost anything but where the money is coming from to finance the operation. Such inquiries are directed to DIRKSEN's office and his office says it's coming from contributions.

It's obvious the campaign is well financed.

In charge is Whitaker & Baxter, a San Francisco public relations firm whose services don't come cheap.

Eight people are in the Washington office. Their salaries alone would total in the neighborhood of \$10,000 a month.

Whitaker & Baxter have hired a lobbyist, John Flynn, of a Washington law firm, who has listed his fee at \$15,000. Samuel C. Brightman, longtime public relations director

radio report to the people of Texas from your Nation's Capitol in Washington, D.C.

During the last few weeks important events have happened that affect each and every Texan and his right to vote.

For many years, I have condemned the poll tax as a barrier to the right to vote and I have campaigned upon the principle that the poll tax should be abolished.

Last year I supported and voted for an amendment to the Federal voting rights bill to abolish the poll tax as a condition to the right to vote in all the States. Although we lost by a narrow margin of 49 to 45, ample proof was presented on the floor of the Senate that the poll tax had long been a barrier to the right to vote and was often used to discriminate against people with low incomes.

I said at that time that "more people had probably been barred from the ballot box in Texas by the poll tax than had been barred in any other State by a literacy test."

On February 9 of this year, a three-judge Federal court at Austin (all three Federal judges being Texans—Judges Thornberry, Spears and Brown) held that the Texas poll tax was unconstitutional and that the doors for full voting privileges were to be opened wide for all Texans for the first time since the poll tax was adopted three quarters of a century ago. The barrier against equal governmental rights for the poor man was ordered struck down and now every Texan was to have the right to vote without having to pay this onerous tax. I have praised the Federal court for this decision—a decision of wisdom and concern for our basic right to vote.

In the special session of the Texas Legislature, called because of the Federal court ruling that the poll tax was unconstitutional, a system of annual registration was adopted. Unfortunately, this system is restricted and still makes it hard to qualify to vote in Texas.

Although this annual registration law is still very limited and we still kept the cutoff date of January 31 which makes registration difficult, it is still a great improvement over the old poll tax which the Federal court declared unconstitutional. Only about five States have an annual registration law like Texas and it is more restrictive than a permanent registration law where a person can register and remain registered until they change their residence.

Now, bringing this up to date for those Texans who have already paid their poll tax this year, you are already registered to vote. But if you did not pay the poll tax this year and are not registered, you still have a chance to register so that you will be able to vote in the elections this year.

From March 3 to March 17, any Texan can now register his name and be able to vote in this year's primary elections and the general elections. This 2-week period is now running and I urge every Texan to register his name so that he can exercise his right to vote—the most precious right we have in our democracy. The time is short, too short, only 2 weeks in which to act, but you should act now.

The abolishment of the poll tax is a great benefit to Texas, as it is a step forward in the direction of good government, good citizenship and liberties for all in Texas. It is now up to every citizen to exercise his right to vote, to exercise this right of citizenship, limited as it has been by the Texas legislature. It is a right and you now have 2 more weeks in which to become a full-fledged participating citizen in your government. If you haven't registered to vote or paid a poll tax this year, then register now before March 17.

This is your U.S. Senator RALPH YARBOROUGH with my weekly radio report to the people of Texas. I will be back next week with another report.

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. GORE. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 49, beginning with line 1, strike out all through line 12 on page 53—title II of the bill, relating to postponement of certain excise tax rate reductions—and in lieu thereof insert the following:

TITLE II—TWO-YEAR SUSPENSION OF INVESTMENT CREDIT

SEC. 201. DENIAL OF INVESTMENT CREDIT FOR PROPERTY PLACED IN SERVICE BETWEEN MARCH 1, 1966, AND FEBRUARY 28, 1968

(a) IN GENERAL.—Section 46(c) (relating to definition of qualified investment) is amended by adding at the end thereof the following new paragraph:

"(5) 2-year suspension.—Notwithstanding any other provision of this subpart, the term 'qualified investment' shall not include any amount with respect to section 38 property placed in service during the period beginning March 1, 1966, and ending February 28, 1968, other than section 38 property placed in service during such period—

"(A) to the extent such property is attributable to construction, reconstruction, or erection by the taxpayer (i) before March 1, 1966, or (ii) on or after March 1, 1966, and on or before February 28, 1967, pursuant to the terms of a binding contract as in effect on February 28, 1966; or

"(B) which was acquired by the taxpayer (i) before March 1, 1966, or (ii) on or after March 1, 1966, and on or before February 28, 1967, pursuant to the terms of a binding contract as in effect on February 28, 1966."

(b) APPLICATION OF UNUSED CREDIT CARRYBACKS AND CARRYOVERS.—Section 46(b)(2) (relating to limitation on allowance of credit for carryback and carryover of unused credit) is amended by adding at the end thereof the following new sentence: "For purposes of this paragraph, the amount of the credit allowable under subsection (a)(1) shall be determined as if subsection (c)(5) (relating to 2-year suspension) had not been enacted."

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years ending on or after March 1, 1966.

Mr. GORE. Mr. President, on June 15, 1965, less than 9 months ago, the Senate approved the bill H.R. 8371, the Excise Tax Reduction Act of 1965. The

Senate report on this bill set out the various reasons for the measure. The report emphasized that our excise taxes, "for the most part, were initially levied as emergency revenue-raising measures at the time of the Korean war, World War II, or the depression of the 1930's. As a result, they were not developed on any systematic basis and are often discriminatory in their application to the taxed industries or to the purchasers of the taxed products."

The report went on to state:

Many of these excises are objectionable in that they are regressive in their impact, absorbing a larger share of the income of low-income persons than of those with higher incomes. This stems from the fact that low-income families find it necessary to spend a higher proportion of their incomes for consumption than those with larger incomes.

For these and other reasons, I strongly supported the excise tax reduction bill last year. I wanted, and still want, to get rid of these burdensome, regressive, and unfair taxes.

With the enactment of the excise tax bill last year, the Congress set a policy to eliminate insofar as practicable most excise taxes, and to do so in an orderly and scheduled manner. The enactment of the excise tax provisions of the bill now before us, it seems to me, would constitute a reversal of that policy.

I am opposed to this reversal of policy, which we set just last year, with respect to excise taxes.

But I recognize, Mr. President, that we must have more revenue to meet the increasing cost of operating various Government programs, including the operations in Vietnam, during the next 2 years. I would not, therefore, wish to move to strike from this bill the provisions to increase excise taxes without offering some substitute provision which would raise at least as much revenue.

If it is impossible to substitute a revenue-raising provision for the excise tax provisions in the bill, then of course, elimination of the excise tax provision alone will be a subject for consideration.

As a matter of fact, we will likely need more revenue than this bill provides for the next few years in order to decrease or eliminate budget deficits. It is surely unwise in times of prosperity to continue to run large budget deficits—or to attempt to hold down bookkeeping deficits by a wild scramble to unload Government assets, or to undertake other feats of sharp pencil legerdemain. We cannot afford to run the risk, under current conditions, of monetizing more of the national debt. In addition, there are sufficient signs that we face a nascent inflation to warrant soaking up funds otherwise available for expenditure in certain areas of the private sector of the economy.

It seems to me that the Congress should already be giving serious thought to the best way of using tax policy to dampen down a threatened inflation.

I have never been one who believes that the budget should be balanced at all times. In a period of deflation, in a period of economic recession, fiscal policies and budgetary policies can be and

should be wisely used to stimulate the economy so as to accomplish worthy social and economic objectives. The investment credit was advocated and adopted by Congress for the purpose of stimulating the economy. It seems to me that an artificial stimulant of the economy is about the last thing we now need. Not only is additional revenue needed to prosecute an expensive and perhaps long conflict in Vietnam, but unless Great Society programs are to be seriously curtailed, as has already been suggested in the budget, additional revenue for those purposes is needed.

The amendment I am offering now would move tentatively in this direction. It would raise slightly more revenue than the bill in its present form would provide, and it would apply the restraining hand of fiscal policy selectivity to one relatively small but significant part of the economy.

I do not suggest that the amendment I offer will solve our fiscal problem. I do not suggest that the revenue which it would raise over and beyond that promised by the excise tax provisions of the pending bill, for which I have offered my amendment as a substitute, would be significant. But so far as there is a difference, all responsible estimates that I have been able to get from the staff of the Committee on Finance, the Joint Committee on Internal Revenue Taxation, or the Treasury indicate that the amendment I propose would produce more revenue than the provisions in the bill for which I offer my amendment as a substitute.

Specifically, my amendment would suspend for 2 years from March 1, 1966, the operation of the investment credit, instead of raising excise tax rates as the bill now provides. Certain adjustments would also be made in the use of carryovers during this 2-year period.

Suspension of the investment credit, together with a modification of the use of existing carryovers, will produce more revenue than would the reimposition of the excise taxes on automobiles and on telephone service.

Suspension of the credit would add \$80 million to revenues in the current fiscal year, while raising excises to their pre-January level would, as approved by the Finance Committee, produce only an additional \$35 million. In fiscal 1967, it is estimated that \$1.2 billion would be raised by either procedure, while in fiscal 1968 the investment credit suspension would add \$1.9 billion and the excises only \$1.5 billion.

So it will be seen that, so far as there is a difference, the revenue would be greater by the amendment I propose than would be the case under the excise tax provisions of the pending bill.

In addition to greater revenues, my amendment is clearly preferable from the standpoint of the overall economic effects, as well as on equity considerations.

The present outlook for expenditures on fixed investment clearly raises the threat of inflationary pressures in that sector of the economy. Fixed investment in 1965 was 10.3 percent of gross national product, about the same as it was during the investment boom of 1956 and 1957.

The rate of investment at that time could not be sustained, and neither, in my opinion, can the current rate.

In 1965, investment in plant and equipment increased 15.4 percent over 1964. Recent surveys show an expected increase in 1966 of 15 percent or more over 1965, and surveys taken at this time of year generally underestimate final expenditures. Extending these projections into 1966, we will have by the end of this calendar year a fixed investment expenditure amounting to some 11 percent of gross national product. This is well above the noninflationary level of 10 percent for a full employment economy.

Obviously, in the interest of orderly growth, and to avoid inflationary pressures in an important sector of the economy, expenditures for fixed investment should be slowed. At least, they should not be artificially stimulated. Expenditures should not be halted, but marginal projects should be postponed. Suspension of the credit will not halt projects, such as those associated with defense orders, clearly warranted by demand.

The Finance Committee report on the 1962 Revenue Act, when the investment credit was instituted, gave three specific reasons for the credit:

1. The investment credit would stimulate investment . . . by reducing the net cost of acquiring depreciable assets, which in turn increases the rate of return after taxes arising from their acquisition.

2. The investment credit, by increasing the flow of cash available for investment, will stimulate investment.

3. The investment credit can be expected to stimulate investments through a reduction in the payoff period for investment in a particular asset.

Mr. President, contemplate these reasons upon which, and because of which, Congress enacted the investment credit. Contemplate them in the circumstances in which we found ourselves at that time. Then, study the same reasons in the light of the circumstances now facing the United States and its national economy.

The same arguments, I submit, can now be used in reverse to justify suspending the investment credit. We do not need artificial stimulation of the economy now.

The inflationary pressures raise too many danger signals for that. Congress should be moving here, not in the timid way which I suggest, but in a far more aggressive and meaningful way. However, this step which I suggest is a meaningful first step toward the use of fiscal and revenue policy to eliminate the artificial stimulus from our economy.

Given current conditions, the artificial stimulation to expenditures for fixed investment should be eliminated or, at least, suspended. And it is suspension that I propose. The investment credit should be suspended until such time as conditions warrant a return to stimulation.

Another fact which is particularly pertinent today is that production of equipment for fixed investment competes with production of hard goods for defense purposes.

Continuation of the investment credit will hamper defense production and increase the cost of defense contracts. It

will increase the cost of the war and, if continued, will further increase the cost of living because of the inflationary pressures which artificial stimulation generates.

This is particularly true with respect to highly skilled manpower, in which there is already a shortage. Continued artificial stimulation of plant and equipment expenditures can only result in bidding up the price of scarce materials, facilities, and manpower needed for defense production, thus setting off a ripple of inflation which might well become a powerful wave carrying our economy and the cost of living before it.

Looking at restraints already at work through Government action, one is struck by the tight-money policy enforced by the Federal Reserve Board. However one may view this monetary policy, fiscal policy must work with and not against monetary policy if we are to have an effective economic policy. In this instance, the suspension of the investment credit will reinforce the tight money policy of the Federal Reserve Board. On the other hand, a tax policy which works counter to it will but give an excuse to the money managers to tighten the screws even harder, thus giving rise to further undesirable distortions which we have witnessed in the past when monetary policy was misguided.

Little more need be said here to support the substitution of this credit suspension for the increase in excises on automobiles and telephone service from the standpoint of equity. The excises bear directly on the consumer and are recognized as regressive taxes. Furthermore, the excise tax increases in this bill affect only one commodity and one service—the automobile and the telephone. It is difficult to justify singling them out, particularly when they are virtual necessities. Suspension of the investment credit will work no hardship on any particular group, and its effects will be spread broadly, particularly across the corporate sector.

Responsible economists are now expressing concern about the possibility of inflation. It is felt by many that substantial tax increases are needed, and now. In the absence of a general tax increase now, selective tax changes in areas where both economic and equity objectives can be furthered would certainly be in order. Suspension of the investment credit is surely one of the most obvious places to begin.

Mr. President, a great many thoughtful citizens and economists have suggested a suspension of investment credit. It is not strange that this is true, because its suspension is so clearly in order.

I read from an article in the Wall Street Journal of February 24, 1966, datelined from Washington:

Walter Heller, former top economic aid to the administration, suggested "temporary suspension" of the 7-percent investment credit to dampen the capital-spending boom.

Mr. Heller, currently a University of Minnesota economist, said the credit might be temporarily limited to increase in investment rather than to investment totals. Treasury Secretary Fowler has strongly opposed tinkering with the tax credit, which

lets companies subtract from their tax bills up to 7 percent of the amount they spend on equipment.

Mr. Heller was one of a parade of ranking economists who cautioned yesterday that the Government may have to move speedily to fight inflation, although they differed in their choice of weapons. The occasion was a symposium by the House-Senate Joint Economic Committee on the 20th anniversary of the Employment Act of 1946, which created both the committee and the President's Council of Economic Advisers and committed the Government to fostering growth.

I digress from the reading of the article, Mr. President, to suggest that I have been informed by a member of the Joint Economic Committee that the committee itself has now concluded to recommend a suspension of the investment credit. I am not prepared officially to make that announcement, but I put it only as I have said, that this report has been given to me since coming to the floor of the Senate today. I hope that the committee has reached such a conclusion.

I do not see how it could quite reach any other conclusion. Much more than this needs to be done, as I have said, but surely this is the place to start. Because here is a measure enacted for the avowed purpose of stimulating the economy. At a time when we seek to apply restraints, surely the place to begin is the elimination of artificial stimulation.

Where is there a need for artificial stimulation in our economy now? It is about to burst at the seams; and the Nation's most thoughtful economists suggest that Congress and the administration should be giving careful thought to a move to counter the inflationary pressures existent in the present wartime economy.

I continue to read from the article:

Acknowledgement of the possible perils of inflation came from the administration as well as from academic analysts. In a message read at the dinner by Mr. Fowler, President Johnson said, "The rapid growth of output which has enabled us to reduce unemployment has placed special and temporary strains on some of our raw material resources." The problems of matching men and jobs during the transition to high employment are more difficult now than they will be after more experience with it, the President said.

"We will need to watch unfolding events closely, and to remain flexible in our tax and other policies so that we can change quickly if the need should arise," he said, adding that the transition will "test our energy and ingenuity" and require seeking "new ways in which business, labor and Government can cooperate to avoid inflationary wage and price movements."

Gardner Ackley, chairman of the Council of Economic Advisers, asserted that today's problems for economic policy "are more difficult than any we have faced in recent years," because solutions to unemployment and slack are more obvious than answers to problems "of sustaining high-level prosperity."

SPECIFIC PRESCRIPTIONS

But more specific prescriptions came from the past council officials. Mr. Heller, Mr. Ackley's predecessor under the Kennedy and Johnson administrations, urged that no time be lost in generally outlining "a temporary Vietnam add-on or surtax on our income

taxes, for use as needed." If business investment is excessive and profits are rising rapidly at the time it might be decided to raise taxes, he said, corporate rates should be raised more steeply than individual rates.

I digress from the reading of the article, Mr. President, to say that corporate profits have had a drastic increase—such an increase, after taxes, as to indicate that instead of this beginning step which I now suggest, the Senate Finance Committee should be seriously considering an increase in corporate taxes, not only to finance the cost of war and worthwhile domestic programs which must be continued, but also to dampen the inflationary pressures which threaten further to increase the cost of living, which threaten further to dislocate the economy, posing the hazards, the hardships, and the dangers of inflation.

I continue to read:

Selective measures such as installment-credit curbs and suspension of the 7-percent investment credit could be useful supplements, Mr. Heller said. With capital investment climbing rapidly enough in the past few years to be causing some worries about its generating "an unsustainable source of excess capacity," Mr. Heller said, "the selective impact of generally tighter money on investment isn't unwelcome." If the credit is partly suspended by temporarily denying it only to increases in investment, Mr. Heller said, there should be "an ironclad guarantee to restore it" later. The idea of making any income-tax increase refundable, he said, "deserves reconsideration" as a way to provide "a ready source of demand expansion when Vietnam ends."

Mr. President, I digress again from the article to suggest to the Senate once again that what I propose here is a suspension of the investment credit.

If the Vietnam war should end later this year, next year, or the year after—let us hope it will be soon—the investment credit would automatically come back into play because the suspension which I propose is only for 2 years. Therefore, in many respects, the proposal I submit meets the standards set out by Dr. Heller, although I prepared the amendment before I saw his statement. Nevertheless, I welcome the expertise of this economist. I have not always agreed with him, but when he agrees with me I am happy to cite him for that purpose.

Continuing reading:

The amount of "anticipatory" borrowing in recent weeks "strongly suggests that higher interest rates are still expected," Mr. Heller said, contending that "what we need to do to stop this is quickly to get our rates, especially our long-term rates, up as high as policy wants them to go, and then say so."

Mr. President, I digress to say that unless we make such moves as I suggest, and others, more and more pressure will be added, more and more excuses will be provided for those who seem habitually to favor high interest rates.

A rising interest rate hurts nearly everyone except those who receive a substantial amount of their income from interest. It hurts the homeowner who wishes to add a bedroom to his house. It is burdensome to the person who wishes

to buy a washing machine or an automobile on the installment plan.

It is hurtful to State, city and county governments. Earlier today, the senior Senator from Wisconsin spoke of numerous local governments postponing the building of hospitals, schools, and worthwhile community facilities, because interest rates on securities were too high and the local communities could not stand it. These are some of the consequences of high interest rates.

I am not suggesting that monetary policy does not have a part and should not be exercised as an economic lever. I am suggesting that we cannot depend upon it alone. For one thing, to do so would not be effective; and, for another, it would be highly inequitable. Surely, it needs to be supplemented by tax policy and fiscal policy.

Continuing to read:

Mr. Heller conceded he was still uncertain as to whether any dampening actions should be taken, however. Among factors that could mean the United States will be able to ride out the transition to a full-employment economy, he said, are that the December 11 increase by the Federal Reserve Board in the discount rate, the System's fee on loans to member banks, hasn't yet had its full effect in the capital markets and that the administration's tax-collection speedup proposals haven't yet been enacted.

Raymond J. Saulnier, council chairman under President Eisenhower and currently a Columbia University professor, urged that the Government should first exercise fiscal restraint by controlling its spending, saying that the tax system "provides the second line of defense." He expressed concern that too much reliance is being placed on monetary policy. To raise interest rates much higher would take the economy into a "genuinely new" territory in which "we will be well advised not to press the journey too rapidly," he said.

Mr. President, I find this persuasive. He suggested that we should reduce spending.

How, and where?

We are told that Vietnam will cost \$15 billion this year. Many orders are being placed for vastly greater expenditure next year in Vietnam. There is already a scarcity of skilled manpower. The plant and facilities boom artificially stimulated in part by investment credit is, in some measure, responsible for current economic strain.

It seems to me to be far more equitable to remove the artificial stimulation of investment credit than it is to place a higher tax on an automobile which the workingman must buy in order to make a living, and upon the telephone service which a small businessman must use to carry on his business—which all of us must use.

Mr. President, excise taxes are regressive. They are acknowledged to be regressive. Only fifteen months ago as I have stated, the Senate adopted the policy of moving toward the elimination of most excise taxes.

This is a wise policy. Why reverse it now—particularly when, instead of doing so, we can substitute an action that would not be regressive but which would add to the equity of the tax system and

remove an artificial stimulus to a booming sector of the economy.

Investment tax credit is not needed now. Indeed, it is downright harmful and dangerous to the economy.

Continuing reading:

Several economists urged an immediate start on a tax increase. Henry Wallich, a Yale professor, said it's clear that six months from now the economy "will be facing substantial pressures," that because of the time lag in putting a tax boost into effect "we should now move toward a tax increase." Gerhard Colm, chief economist of the National Planning Association, recommended that Congress begin considering a tax increase bill that it could keep "on the shelf" and put into effect by a joint resolution sometimes after enactment if that appears necessary.

That ends the reading of the news article from the Wall Street Journal of February 24, 1966.

I suggest Mr. President, it is significant that many noted economists see danger signals in our economy which either suggest a tax increase now, a standby tax increase which could be quickly invoked, or a suspension of the investment credit.

It is this latter step, mild as it is, that I now suggest.

Just today, in the Washington Post, there appeared a column by Mr. Joseph Kraft, which I should like to read:

It is no longer a question whether the administration is going to seek new weapons against inflation. The only interesting question now is what weapons it will choose.

In thinking about the choice, it is important to remember that the inflationary condition is not universal, either in the economy or the country. Some sectors of the economy, notably residential construction, are doing quite poorly. In the country at large, unemployment, at just under 4 percent, is too high. The more so since the jobless rate among Negroes and persons over 45 is much higher.

Because inflationary pressure is not generalized, but confined to pockets or bottlenecks, it follows that measures to restrict demand should be highly selective. The general rule is that every step to restrict demand should find expression in a commensurate cut in inflationary pressure.

Every dollar's worth of medicine, in other words, should buy a dollar's worth of cure. Otherwise, the restrictions will be ineffective: they will be applied, sometimes in a punitive, manner, to regions of the country and sectors of the economy that are generating inflationary pressures only indirectly, if at all.

As it happens, the geographical locus of inflationary pressure is not hard to identify. In general, the tightest area of labor shortage in the country lies in the heavy industrial belt running along the Great Lakes through Buffalo, Cleveland, Detroit, Chicago and Milwaukee. In these cities, unemployment is just above the 2-percent mark; credit is tight; and in some industries orders are exceeding current demand.

The cities along the Great Lakes, of course, are the country's main producers of steel, machinery, electrical equipment and other heavy durable goods. The access of inflationary pressure in the Great Lakes region, accordingly suggests that the country is once again going through the kind of capital goods boom that it experienced in 1956-57.

That impression is reinforced by statistics on business spending for plant and equipment. Last year investments in that field increased by 15 percent over the previous year. Preliminary estimates for this year forecast another 15-percent increase and

these estimates are now being revised upwards. In the light of the revision, it appears that the problem of restricting inflation turns on the problem of restricting business spending.

Yet, instead of approaching this problem and its danger selectively, the pending bill proposes to increase the taxes on an automobile bought by a workingman in North Dakota; proposes to increase the taxes on the use of the telephone by the poor as well as the rich all over the United States.

Mr. President, is there a scarcity of telephones? Is there a shortage of telephone service? Is it inflationary for a person to have a telephone?

I ask the same questions about an automobile. Excise taxes are regressive and are surely not selective.

Continuing to read from Mr. Kraft:

To that end, many different actions are theoretically feasible. Drying up consumer spending by a general tax increase, for instance, would put a heavy dent in overall demand that would cause businesses to cut back their expansion plans. The trouble is that a general tax increase would cut back, not merely on business spending but on all spending right across the board.

Curtailling Government spending would reduce demand and eventually cause firms to cancel or postpone investment plans. But the first victims of a cut in Government spending would almost certainly be the minority groups who, because they are not participating fully in the present boom, are especially dependent on Great Society and other welfare programs.

Tighter money, achieved by action of the Federal Reserve Board would have a more direct impact on business spending. But the impact would be especially severe in the area of residential housing which is too low now. Moreover, tight money seems to favor large companies, which finance expansion from their own funds, over smaller ones that are dependent on bank loans.

In these circumstances, attention is more and more coming to focus on corporate taxes, and in particular, on the 7-percent tax credit on new investment enacted by the Kennedy administration to promote economic expansion in 1962. Suspending or rescinding that credit would put an immediate direct drag on the investment plans of business firms. It would have no adverse effect on residential housing as the credit does not apply there. Though the Treasury asserts that administration would be difficult, that is what the Treasury is always saying.

My own feeling is that suspension if not outright withdrawal of the 7-percent credit offers the most promising weapon for selective action against inflation. And the sooner the better.

Mr. President, the thoughtful column which I have just read from Mr. Joseph Kraft is a persuasive one. Many other thoughtful citizens are suggesting the desirability of suspending the investment credit.

I do not now have before me the resolution of the American Federation of Labor and Congress of Industrial Organizations passed at their recent convention, but I believe it is correct to say that the AFL-CIO has endorsed a suspension or repeal of investment credit.

I do have before me a telegram from the American Farm Bureau Federation addressed to me:

We support your amendment to tax adjustment bill to strike excise tax increases

and substitute suspension of investment credit for 2 years.

I cite an article which appeared in the Washington Post on February 27, 1966, by Prof. Paul A. Samuelson, entitled, "Boiling Economy Needs Tax Damper."

Mr. Samuelson writes:

The other day at a meeting with some financial experts, it was forcibly brought home to me that we are indeed in an economic boom.

One man said with a straight face: "Well, at least there are two bits of good news. Housing starts fell in January and automobile sales have been a little weaker these last 10 days." Only after a pause did he realize what he had said, and everybody laughed.

Mr. President, is it not strange that we are in a situation in which one can applaud reduction in housing starts and a reduction in automobile sales?

I have just read that another eminent economist, a writer, points to the booming increase in plant and equipment. And yet what is the remedy proposed to the Senate? It is not to suspend the artificial stimulus for expansion of plant and equipment, but to increase the taxes on the automobile that a workingman must buy and the telephone that all must use.

Regressive, unselective, wide of the mark of the economic needs of our economy.

I continue to read:

How can you have too much of a good thing? The Economic Report of the President forecast for 1966 a 5-percent increase in the real national product. It suggested that prices and wages would not rise more in 1966 than they did in 1965. Since 1965 was the greatest year ever, and also one of the years of healthiest advance, what can be wrong with that?

If the future develops exactly as the President's economic advisers have forecast, we shall be fortunate. Unemployment will drop below the proximate target of 4 percent set a few years ago by President Kennedy and only just recently achieved. Since profits will also continue to grow, according to this forecast, although not quite so rapidly as last year, the prosperity will be a widely shared one.

The increase in interest rates paid on savings accounts and bonds would in some measure compensate retired people for the rise in certain prices. And in any case, the introduction of medicare will mean much even to those on rigidly fixed pensions.

Mr. President, I digress to say that the rising cost of living, that is now at the highest point in history and which threatens to go much higher unless the administration and the Congress act with prudence and dispatch, will go a long way toward negating many of the benefits which the Congress has recently provided for people of small income.

It is upon the hard-pressed person that a higher cost of living places the greatest burden.

Continuing to read:

HEALTHY ADVANCE?

I have long been impressed by the wisdom and knowledge of Government economists. They have the best data in the world. They have the most powerful computers to process the data. In this decade, they have been selected from the ranks of America's outstanding academic scholars. In season and out of season, I sing the praises of the New Frontier experts who have kept, along with

their cool heads, warm hearts and a genuine interest in the problems of America's underprivileged.

If the American economy lives up to the expectations stated in his Economic Report, the President should find widespread approval among the citizenry in this election year of 1966, even if he may lose some of his consensus support where Vietnam is concerned.

But have events thus far in 1966 given the impression of a healthy advance along an optimal growth path? Even in the month since the Economic Report came out, has there not been accumulation of a body of experience suggesting that its forecasts were a little too modest in terms of money magnitudes, and hence a little too optimistic with respect to the problems of limiting excessive dollar spending?

I realize that every dog has his day. I know economists who have been criticizing the administration for years—almost since the recession was seen to be definitely over—for being too expansionary.

They opposed expansion of civilian programs. They urged extra taxes at the time of the Berlin crisis. They opposed the Kennedy-Johnson tax cut, proposing in its place politically unrealistic cutbacks in public programs along with tax reduction. They long urged the Federal Reserve to tighten up on credit.

My name was not to be found in their camp. For years, I weighed their arguments and found them wanting. I did expect that in some way reality would stagger into the fixed sights of their telescopes, and that when this happened they would remind us, "I told you so."

BILL OF INDICTMENT

Well, economists are even more predictable than economics. All that has come to pass. Last year, wholesale prices did rise on the average, particularly in the area of farm products and nonferrous metals. The final reduction of unemployment to the 4-percent level apparently could not be achieved with continuance of the 1958-64 stability in the wholesale price index.

Those who have long been critical of the administration for being too expansionary have revealed that they personally would be glad to pay a price for stability; that is, high unemployment rates among the populace. In my opinion, it is fortunate that they have not been able to persuade the majority of the electorate that this is a good bargain.

Still, I am now forced to criticize the Johnson administration for being too inactive in its use of fiscal policy. Let me state the indictment:

1. If the President does not bring in a program to raise tax rates on personal and corporate incomes, the \$723 billion—plus or minus \$5 billion—Government GNP forecast now seems unrealistic. It appears that \$728 billion—plus or minus \$5 billion—will be nearer the mark, and most of the difference is of the unhealthy sort associated with a mere building up of price and wage tags. (Does anyone still seriously believe that the GNP deflator will grow only 1.8 percent in 1966?)

2. The long-run best interest of the unemployed is not served by a spring of production that cannot be maintained, particularly if the dash to the pole of full employment sets off an avalanche of price and wage pressures, culminating in inventory distortions and temporary excesses of plant and equipment.

I digress to say that it may well be, as Dr. Samuelson suggests, that neither the President nor the Treasury foresaw, in December, what we can now clearly see. But the Senate was not called upon to act in December. The Senate has the measure before it now, when we can so

clearly see the cost of living going upward, corporate profits sky-high, inflationary pressures rising, and danger signals flashing red in every direction.

Yet what is the remedy? To increase taxes on automobiles and telephone service. Of what benefit to the economy, of what regulatory effect, is a tax rate on telephone service that my neighbors in Tennessee must pay? This is not where the dangerous pressures are. Regressive measures such as these are not a proper answer to our problem.

I do not suggest that the suspension of investment credit is an answer to all these problems, but it is the obvious place to start toward a solution. More is needed. But I know of nothing less justified in our tax system now than investment credit. I repeat: The last thing we need now is artificial stimulation of our economy. We need to remove from the tax structure this artificial stimulant.

Mr. HART. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. HART. I am one who wish to thank the Senator from Tennessee for raising in such a clear way the issue he draws. I agree thoroughly with the analysis he is presenting. I thank him for giving us the opportunity to attempt to make, what I believe to be a constructive change.

Mr. GORE. I appreciate the generosity of my friend, the able Senator from Michigan.

Mr. HART. Admittedly, one permitted to represent Michigan is suspected of speaking and reacting as a nationalist when the question bears on automobile excise taxes. While we are our own most lenient judges in these matters, I hope that my approach to the suggestion of the Senator from Tennessee is not colored, entirely at least, by the interest that Michigan necessarily has in the prosperity and continued growth of the automotive business. Automobile buyers are found in 50 States, and there is where the burden of the auto excise really falls.

I share the feeling, so effectively described by the Senator from Tennessee in his supplemental views, that all of us have a responsibility to attempt to respond prudently to danger signals that suggest that ceilings are being reached and that inflationary pressures are, if not at hand, around the corner.

As one who has urged, and will continue to urge, increasing, vigorous war on poverty at home as well as against our enemies overseas, I should be among the last to be indifferent to this problem.

I, therefore, do recognize the necessity of increasing revenue; but, with the Senator from Tennessee, I hope that that may be done with some greater measure of equity than is proposed by the bill before us.

Having said that, and being in a far less effective position to measure the future than is the Senator from Tennessee, who sits on the Committee on Finance, but having apprehension that the need for additional revenues will heighten and become more clear, I ask the Senator from Tennessee if he has considered the possibility of responding to the need for additional revenues, not merely

or not even by way of approaching the investment tax credit, as he now suggests, but by moving across the board toward corporate profits, which have been so dramatic in the past 12 to 18 months?

Specifically, has the Senator from Tennessee considered the desirability, as of now, of proposing that a 1- or 2-percent increase at all levels of corporate profits be applied?

Mr. GORE. I have given that considerable thought. Corporate profits after taxes plus capital consumption allowances have increased since 1960 by 56 percent. Interest income—that is, personal income from interest—has increased by 59 percent. It would appear obvious to me that an increase in interest rates will further increase the income from interest.

It is equally obvious that a continuation of the investment credit, which is largely used by corporations, will not only continue an artificial stimulation of investment in plant and equipment, which, as I have said, is not now needed, but will further increase corporate profits. We seem to be doing the inequitable things. The more equitable approach would be to increase the taxes on those elements in our society that have experienced the most profitable and beneficial increases in their incomes.

But we need to do more than seek equity here because of the inflationary condition of our economy. We need to use fiscal measures as a regulator of our economy and as a safeguard against inflation. So, when measured by both of these standards, the standard of equity and the standard of dampening inflationary pressures, the obvious place to start is investment credit, which is an artificial stimulant, designed for that purpose.

As I said before the distinguished Senator entered the Chamber and did me the honor of his audience, Congress should be doing much more than this. If I receive very much more encouragement, such as that given to me by the able junior Senator from Michigan, I shall surely be prepared to offer an amendment to increase governmental revenue by means of a corporate tax rate increase. It is needed to defray the cost of the Vietnam war. It is needed to provide funds for very necessary programs in health, education, welfare, and other fields here at home. It is needed to dampen the fires of inflation that threaten a further increase in the cost of living.

Mr. HART. Mr. President, I thank the Senator from Tennessee very much for his last comment. I was somewhat reluctant to interrupt the Senator. However, I am satisfied that I should have known in advance that no interruption serves to distract the Senator from Tennessee from the basics in any discussion in which he is engaged.

I shared with the Senator, though it may be politically disagreeable medicine, the belief that one does not need to be an economist of imposing stature to realize that we must face up to the obligation to respond at the cashier's window and that it is necessary to in-

crease revenues to dampen inflationary pressures. This is particularly true if one is, as I am, a person who feels, as does the Senator from Tennessee, that we must continue to press for many things domestically.

I am delighted to hear from the Senator from Tennessee, who is certainly a student in this field in his role as a member of the Committee on Finance, that he feels, with me, that the most logical target area, the one most eligible, and the one where equity most clearly suggests that we should aim, is at this corporate profit level. It would have the advantages that the Senator from Tennessee indicates are possessed by suspending the investment tax credit, as well.

It would have equity and it would dampen inflationary pressures. It would respond, I suggest, to those who argue, and I think with merit, that there are instances in which an investment tax credit, if available, would permit the introduction of some new product which would meet the genuine cost-of-living need and serve well social ends.

Some economists, I am aware, have pointed out that as the economy expands and as the labor force increases in size, additional capital investment is essential if we are to maintain a rate of growth sufficient to make use of all our resources. That may well be true.

However, as between a choice of hiking excise taxes on cars and phones and suspending the tax credit, I prefer the latter since an increase in Government revenue seems imperative. But I would hope that further revenue needs would be met in the form of an increase in the corporate surtax rate.

I shall, as I have often done in the past, in the areas of finance look to the Senator of Tennessee for counsel and for guidance.

Mr. GORE. Mr. President, I am very grateful to my able colleague for his generosity and thoughtful interjection.

I find it particularly galling that, while we gave the greatest tax reduction to people in high income brackets—to be specific, men like Henry Ford—when we find it necessary to increase revenue, we lay the burden upon the people who must buy automobiles and who must use telephones. These excise tax provisions lay the burden on rich and poor alike. It is undemocratic and inequitable. However, more important in the context of the present situation, it is not aiming at the real problem and need of our national economy.

I continue to read from Dr. Samuelson:

President Johnson should bring in a tax program before midyear. Congress should pass that program speedily.

Mr. President, under the Constitution, the raising of revenue is peculiarly a prerogative of Congress. It is for Congress to consider such measures. It would be well if we had a presidential recommendation for a further increase in revenue, for a vigorous anti-inflationary program. However, the lack of such recommendation in no way absolves Congress from its responsibility. It is for

the exercise of that responsibility that I have offered this beginning step.

I continue to read:

And all the people—not excluding those in Wall Street—should hail such useful programs, which will serve to keep the American economy moving vigorously throughout the decade.

The issue is no longer growth versus stagnation. It is maintainable long-term growth versus frenzied and self-defeating scrambling for limited resources.

Mr. President, I ask unanimous consent that there be printed at this point in the RECORD my supplemental views found in the committee report beginning at page 43.

There being no objection, the supplemental views were ordered to be printed in the RECORD, as follows:

VII. SUPPLEMENTAL VIEWS OF SENATOR ALBERT GORE

This bill, H.R. 12752, is designed to help finance the increasing costs of Government during the next 2 years. By raising additional revenue it will decrease the budget deficit and lessen the amount by which the public debt would otherwise be increased. Some assistance in controlling a nascent inflation should be provided.

Although several provisions of the bill are meritorious, it is poorly designed in certain respects and in all likelihood will prove quite inadequate. Some reenforcement of fiscal policy ought to be provided now, by raising more revenue than this bill will provide, and by placing the increased revenue burden where it will do the most to dampen demand in areas where such demand most clearly threatens price stability.

Oddly, the two most important provisions of the bill, from a revenue standpoint, represent in one instance a speedup of a schedule already adopted by the Congress—for getting corporation tax payments more nearly current—and in the other a complete reversal of a previously adopted congressional schedule for ridding the consumer of two onerous excises. I support the previously established congressional policy in both instances, to place corporation taxes on a current basis, and to eliminate excise taxes. I oppose the proposed reversal of congressional policy with respect to excises.

Since more revenue is needed, and since an increase in excise taxes is regressive in nature, Congress should raise more revenue and do so in a more equitable manner. Suspension of the investment tax credit as a substitute for the proposed excise tax increases would serve both purposes. This would have the additional advantage of selectively dampening demand in an area which seriously threatens to create inflationary pressures.

Suspension of the investment credit, together with a modification of the use of existing carryovers, will produce as much revenue as would the reimposition of the excise taxes on automobiles and on telephone service. Suspension of the credit would add \$80 million to revenues in the current fiscal year, while raising excises to their pre-January level would produce only an additional \$65 million. In fiscal 1967, it is estimated that \$1.2 billion would be raised by either procedure, while in fiscal 1968 the investment credit suspension would add \$1.9 billion and the excises only \$1.5 billion.

So long as the revenues are this close, then, the choice would hinge on the overall economic effects, as well as on equity considerations.

The present outlook for expenditures on fixed investment clearly raises the threat of inflationary pressures in that sector of the economy. Fixed investment in 1965 was 10.3

percent of gross national product, about the same as it was during the investment boom of 1956 and 1957. The rate of investment at that time could not be sustained and neither can the current rate.

In 1965, investment in plant and equipment increased 15.4 percent over 1964. Recent surveys show an expected increase in 1966 of 15 percent or more over 1965, and surveys taken at this time of year generally underestimate final expenditures. Extending these projections into 1966, we will have by the end of this calendar year a fixed investment expenditure amounting to some 11 percent of gross national product. This is well above the noninflationary level of 10 percent for a full employment economy.

Obviously, in the interest of orderly growth and to avoid inflationary pressures in an important sector of the economy, expenditures for fixed investment should be slowed. Expenditures should not be halted, but marginal projects should be postponed. Suspension of the credit will not halt projects clearly warranted by demand. It would remove this element of artificial stimulation in our economy.

The Finance Committee report on the 1962 Revenue Act, when the investment credit was instituted, gave three specific reasons for the credit:

1. The investment credit would "stimulate investment * * * by reducing the net cost of acquiring depreciable assets, which in turn increases the rate of return after taxes arising from their acquisition."

2. The investment credit "by increasing the flow of cash available for investment, will stimulate investment."

3. The investment credit "can be expected to stimulate investments through a reduction in the 'payoff' period for investment in a particular asset."

The same arguments—in reverse—could now be used to justify suspending the investment credit.

Given current conditions, the artificial stimulation to expenditures for fixed investment should be cut off. The investment credit should be suspended until such time as conditions warrant a return to stimulation.

Another fact which is particularly pertinent today is that production of equipment for fixed investment competes with production of hard goods for defense purposes. This is particularly true with respect to highly skilled manpower, in which there is already a shortage. Continued artificial stimulation of plant and equipment expenditures can only result in bidding up the price of scarce materials, facilities, and manpower needed for defense production, thus setting off a ripple of inflation which might well become a powerful wave carrying all before it.

Looking at restraints already at work through Government action, one is struck by the tight money policy enforced by the Federal Reserve Board. However, one may view this monetary policy, fiscal policy must work with and not against it. In this instance, the suspension of the investment credit will reenforce the tight money policy of the Federal Reserve Board. On the other hand, a tax policy which works counter to it, will but give an excuse to the money managers to tighten the screws even harder, thus giving rise to further undesirable distortions which we have witnessed in the past when monetary policy was misguided.

Little need be said to support the substitution of this credit suspension for the increase in excises on automobiles and telephone service from the standpoint of equity. The excises bear directly on the consumer and is recognized as a regressive tax. Furthermore, the excise tax increases in this bill affect only one commodity and one service. It is difficult to justify singling them out, particularly when they are virtual necessities.

Suspension of the investment credit will work no hardship on any particular group and its effects will be spread broadly, particularly across the corporate sector.

Responsible economists are now expressing concern about the possibility of inflation. It is felt by many that substantial tax increases are needed, and now. In the absence of a general tax increase now, selective tax changes in areas where both economic and equity objectives can be furthered would certainly be in order. Suspension of the investment credit is surely one of the most obvious places to begin.

Mr. GORE. Mr. President, on February 27, the Washington Post carried an article by Mr. Hobart Rowen, entitled "Economic Impact—Johnson Should Propose Tax Hike Now."

I ask unanimous consent that this article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post, Feb. 27, 1966]

JOHNSON SHOULD PROPOSE TAX HIKE NOW (By Hobart Rowen)

President Johnson's January bet that the Nation could enjoy "business as usual" despite a shooting war in southeast Asia isn't likely to be a winner. He hasn't made this concession yet, but the impact at home of the war in Vietnam has been a surging economy well beyond his or anyone else's calculations.

There is new evidence of the proportions of the boom, and it was discussed in hush-hush tones in Washington this week: a reliable private survey done by Lionel Edie shows a fantastic new boost in business plans for plant expansion.

Where the survey a few months ago showed a 12-percent increase likely between 1965 and 1966, the figure is now 17 percent. And in critically important manufacturing, the new estimate is a sensational 24 percent gain, compared with earlier survey figures of 17 percent.

When the Council of Economic Advisers made its forecast of a \$723 billion gross national product—that's now outdated—it assumed a private investment gain this year of only 11.5 percent.

TAX BOOST NEEDED

Yet, L.B.J. and his advisers have refused to interfere with normal business operations, except for a timid tax speed-up program and a withdrawal of a small amount of excise tax cut. They have resisted—so far—the real need, a solid boost across the board in corporation and personal tax rates.

American industry can't be faulted for going on a building-stockpiling-borrowing binge. Businessmen figure, quite logically, to "git while the gitting is good."

Good old cash money, as a result, has become the scarcest commodity in the country. If you don't believe it, drop in at the corner bank and try to borrow some. With tears in their eyes, bankers are turning away new customers and rationing the old ones.

Interest rates, with an assist from the Federal Reserve Board, have followed a predictable course: they've skyrocketed, and since record yields on bonds look attractive, stocks in the Wall Street markets have been taking a beating.

And unless taxes are raised, the situation will get progressively worse. It may be a hard political jolt for Mr. Johnson, but he really has no other option. By tapping businessmen and individuals for \$5 billion in taxes as a starter, the administration could cool off an overheating economy.

ENOUGH "BUTTER" LEFT

In a true sense, the Nation would be paying for that much of the Vietnam war out of current income instead of having to borrow it for repayment later.

At the present level of the military build-up, such a tax boost would leave plenty of "butter" in a guns and butter economy. But the President ought to say frankly that if the build-up approaches a force level of 600,000 men (as rumored on Capitol Hill) there will be not only more of a tax bite, but some economic controls as well.

We might as well quit kidding ourselves about the real ramifications of Vietnam. Ever since last August, the administration has failed to be candid about the impact of each escalated stage of the war.

And now, strangely, the President's "new economists" in and out of Government have shrieked the responsibility for arguing for higher taxes, which are so clearly needed. The "new economists" used to say they wouldn't hesitate to recommend restraining fiscal policy when necessary to combat a truly inflationary situation. But they've been hesitating.

After a struggle with his conscience for the past few months, Paul Samuelson, brilliant MIT professor, has finally made the break. He says forthrightly that the time has come to raise taxes. (See his special article in today's outlook section).

HELLER MISSED OPPORTUNITY

Prof. Walter W. Heller, who advised both Kennedy and Johnson, could have made perhaps a greater impact with a similarly unequivocal proposal during the symposium in Washington last Wednesday commemorating the 20th anniversary of the Employment Act.

But he passed up the chance. Instead, he provided a "on the one hand, on the other hand" analysis. Most independently minded professionals who attended the symposium privately agreed that a tax increase is now essential. Conservatives like Arthur Burns and Raymond J. Saulnier would try cutting expenditures first.

I think this would be a mistake, because it would put the burden of paying for the higher costs of war on those who would benefit from social programs—instead of on the affluent who can afford it better.

I don't like the thought of higher taxes any more than I like the war. But I prefer them to giving up needed programs—or to a costly inflation.

Mr. GORE. Mr. President, on March 6, 1966, the Sunday Star of Washington, D.C., published an article by Mr. Lee M. Cohn entitled "Business Spending Data May Spark Fiscal Curb."

Mr. President, the article reads:

A Government report due in about 1 week may trigger a decision by the administration to cool off the economic boom by raising taxes and supporting tighter credit restraints, informed sources said yesterday.

Mr. President, I have been hearing reports about this anticipated Government report. I cited earlier information given me to the effect that the Joint Economic Committee has reached the conclusion that the investment credit should be suspended. A very responsible and learned reporter forecasts in this article that there will be a Government report which he states may trigger, not the mild step that I suggest here as a beginning, but something much more. He states that it "may trigger a decision by the administration to cool off the economic boom by raising taxes and supporting tight credit restraints."

I continue to read:

The crucial report is the Commerce Department's survey of planned business spending for new plant and equipment.

I digress. That is what I have been talking about, the boom that we have had, that we now have, frankly, as a result partially of artificial stimulation of plant and equipment expenditures. It is here that the tightness in our economy appears. It is here where materials and skilled labor are short.

Telephone service is not in short supply. That is not where the danger to the economy lies. Automobiles are not hard to buy. That is not what is damaging to our economy. It is the inflationary pressures that arise from that element of our economy that is called upon to supply the war needs, that element of our trained manhood that is so much needed to produce supplies to win the war in which we are so unfortunately and unwisely engaged.

But that is a different subject. We are engaged in it, and we must all do our part toward seeking a satisfactory solution, I hope a peaceful solution and an early one. But again, I do not wish to get into that matter. That has been debated to a considerable extent in recent weeks. I am talking about the economic necessities of the war economy in which we now find ourselves.

And what is the proposal we have? To increase Federal sales taxes on automobiles and telephone service.

I think we should do something else, a suspension of the investment credit which, along with the war demands, has partially triggered the boom.

I continue to read:

If the survey comes close to confirming private forecasts of surging expenditures, a key official said, "that could be the trigger point" for a shift to harsher anti-inflation policies.

Why should we wait to take some action until the harsh measures are necessary? Why not start now to take some equitable, obvious first steps? It might lessen the severity of the cure later.

I shall not ask that action on this bill await the report of the Joint Economic Committee on the Economic Report. I shall not ask that action on this bill await this Government report by the Department of Commerce. I am not attempting to be dilatory. I am prepared to agree to a vote on the amendment tomorrow. I think its need and its justification are so obvious, the arguments for it so irrefutable, so unanswerable, that I am prepared to submit it to the Senate at any time the leadership is ready. I would prefer that the vote come tomorrow, because a few of my colleagues might do me the honor of reading the debate in the RECORD tomorrow.

Continuing to read the article of Mr. Cohn:

Such a shift almost certainly would lead President Johnson to propose tax increases beyond the stop-gap revenues bill now progressing through Congress.

Johnson probably would encourage the Federal Reserve Board to reinforce the tax measures by tightening credit another notch which would push interest rates still higher.

Business spending for plant and equipment packs an economic wallop beyond what the raw numbers suggest.

When the President's Council of Economic Advisers predicted in January that 1966 would be a year of strong but noninflationary economic expansion, a major unpublished assumption was that spending for plant and equipment would increase 12 or 13 percent above the 1965 total of \$51.8 billion.

The 1965 total exceeded 1964 by 15.4 percent.

Any substantial increase above 12 or 13 percent would cause serious trouble, the Council feared.

Advance indications are that plant and equipment outlays are heading for a bigger rise than the Council expected. One private survey respected for past accuracy estimates a rise of nearly 20 percent.

Any increase above 15 percent, a Commerce Department official said, would lead to "an agonizing reappraisal" of policies for fighting inflation.

If the figure is close to 20 percent, the official said, the danger of inflationary overheating of the economy will look serious and early action may be needed to dampen the boom.

The economy, with the added stimulus of spending for the Vietnam war, now is operating close to its capacity.

A sharp surge in plant and equipment spending plans would aggravate shortages of labor and materials, lengthen delivery delays and create bottlenecks. Wages and prices inevitably would rise faster.

I digress, Mr. President, to ask a few questions.

If this forecast be true, how much more will the war in Vietnam cost? If the forecast be true, how much further will the cost of living spiral? If the cost of living continues to spiral, what will be the extent of the hardships on minority groups with low wages, and who still suffer widespread unemployment?

What will the cost be to the retired and the sick people with low incomes? If interest rates are forced still higher, how many more counties and cities will postpone the building of hospitals and schools?

Why, Mr. President, should Congress be timid in approaching a problem that is peculiarly burdensome to the people for whom the Congress speaks?

We are called upon to act now, when the dangers are clear and plain for all to see.

Mr. President, if, in fact, this boom in plant and equipment serves as Mr. Cohn says, "to lengthen delivery delays," will this aid the war effort, or hinder it? Shall we supinely permit an artificial stimulation of the economy to lengthen delays in delivery of war materials, to increase the cost of those products, to increase the cost of living unnecessarily, and to force a still further rise in interest rates?

I do not claim that adoption of my amendment would solve all these problems, but it would be a step in the right direction toward their solution, whereas the excise tax provisions in the pending measure would provide no such step in the right direction.

Continuing reading:

While new plant and equipment increases industry's capacity to produce, thus easing shortages, excessive business spending more than offsets this benefit by straining the capacity of supplies, equipment makers, and builders.

Aside from the inflationary impact, excessive plant capacity can lead to recessions later when demand for the products of industry ebbs.

Tax increases would dampen a plant and equipment boom directly by reducing corporation cash available for spending. It also would indirectly curtail consumer demand and thus weaken incentives for expanding productive capacity.

Tighter monetary policies by the Federal Reserve would reinforce the effects of tax increases by curtailing the supply of credit and raising interest rates—thus making it harder for business to borrow to pay for new plant and equipment.

Credit already is tight and interest rates generally are at or near the highest levels in more than 40 years.

Mr. President, I do not wish to discuss monetary policy here. I am not proud of the fact that it is in an administration of my party that interest rates are at their highest point in almost 40 years. Surely, a Democratic administration can propose a more equitable and a more effective policy than this one. But, if we continue to wait, if we continue to procrastinate, if we continue to take the wrong steps instead of the right steps, not only will interest rates be higher but the cost of living will also be higher, war costs will be higher, inflationary pressures more severe and dangerous to the economy will mount—all of which is becoming abundantly apparent.

Continuing reading:

There is concern at the Federal Reserve that much further tightening would cause serious economic distortions.

Mr. President, what kind of distortions? Many, including greater burdens upon those who must buy the necessities of life, including greater burdens upon those who must buy automobiles in which to reach their jobs in order to make a living, greater burdens upon housewives who must have washing machines, refrigerators, and stoves, including higher costs for schools and hospitals; and, indeed, as we have already heard today, the postponement of the selling of bonds for construction of necessary community facilities.

Continuing to read:

The money managers, therefore, want the administration to carry the major burden of any additional anti-inflation moves by tightening fiscal policy through a combination of tax increases and spending curbs.

Nevertheless, the Federal Reserve has been tightening credit gradually since it raised the discount rate last December, and probably will continue the trend even if taxes are raised.

If the administration takes strong fiscal action, tightening by the Federal Reserve will be relatively mild. If the administration holds back, the Federal Reserve probably will feel compelled to squeeze credit hard.

January's economic forecasts by the council have been outdated by revisions of 1965 figures and by the economy's stronger than expected performance so far this year.

The council will revise forecasts for internal use sometime after the plant and equipment survey is published.

In January's Economic Report, the council predicted that the gross national product would rise by about \$46 billion to \$722 billion—plus or minus \$5 billion—in 1966.

It appears that the midpoint of the new gross national product forecast will be near the top end of the range predicted in January.

That would heighten the dangers of inflation and increase chances for tax boosts.

Mr. President, I should like to propose, and shall later propose, more vigorous steps toward inflation control.

The step I propose now is clearly needed and obviously justified as a substitute for a regressive form of taxation which is not aimed at the principal economic danger we face, but I shall be content to ask for a vote upon this amendment first.

"WHO SPEAKS FOR EFFECTIVE LAW ENFORCEMENT?"

Mr. McCLELLAN. Mr. President, the U.S. attorney for the District of Columbia, the Honorable David G. Bress, recently delivered an address on one of the gravest domestic problems this Nation presently faces. Speaking before the Federal Bar Association, Mr. Bress outlined his views on the issues involved in society's dilemma in its constant quest for effective law enforcement. The volume of crime in the District of Columbia is scandalous, and the effects of such decisions as Mallory in this jurisdiction can only hamper local law enforcement efforts. In light of this, the views of Mr. Bress, as U.S. attorney for the District, on the problems of effective law enforcement take on particular interest and significance.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point a copy of Mr. Bress' address, entitled "Who Speaks for Effective Law Enforcement?"

There being no objection, the address was ordered to be printed in the RECORD, as follows:

WHO SPEAKS FOR EFFECTIVE LAW ENFORCEMENT?

Three months have now passed since I have been sworn into office as U.S. attorney for the District of Columbia. I must say to all of you here today that thus far I have found the experience interesting, exciting and intellectually stimulating—particularly for one who has spent almost all of his professional career on the civil side of the court. I recommend this kind of transition to others. Each day has produced minor crises of one kind or another and has afforded me a superb vantage point from which to observe very closely the practical operation of the criminal law in this jurisdiction. By no means have I become an expert. But 3 months of intense study of the criminal law and its application has opened my eyes to a new horizon which in the past was hazy.

While engaged in private practice, I generally kept currently informed on new developments in the law, including the trend in recent years to broaden interpretations in the area of individual constitutional rights, whenever the individual found himself locked in battle with a Federal law enforcement agency or with the Metropolitan Police Department. A great deal of my time recently has been spent concentrating on such topics as the law of arrest, search and seizure, confessions, insanity, the privilege against self-incrimination, and speedy trial. New decisions in the civil field have taken on lesser significance. In the past few years, only a few jurists, professors, or writers have spoken out in favor of effective law enforcement. The scales of justice, insofar as the criminal law is concerned—at least in this jurisdiction—indeed appear now to be tipped sharply in favor of the individual, with new rules and new interpretation tending to

way of a biographical sketch of each one of these distinguished visitors. I wish to have the RECORD now show that we welcome them enthusiastically and that we are very proud and pleased that they decided to visit our country, for it is such visits as this, such exchanges as represented by this exchange that will strengthen the understanding and friendship between our country and our neighbors in the Western Hemisphere.

Mr. President, I ask unanimous consent to have the material to which I have referred printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

Name: Dr. Sabino A. Montanaro.

Home address: Cerro Cora 1452, Asuncion, Paraguay.

Present position: Minister of Justice and Labor.

Previous position: Member of Congress, 1954-63.

Political affiliation: Colorado Party.

Academic background: Law School, National University, Asuncion.

Date and place of birth: July 30, 1922; Asuncion, Paraguay.

Travel: 1959, 1960, 1962, United States—member of Paraguayan delegation to U.N.; 1963, Colombia; 1965, Spain; 1965, Italy—audience with the Pope.

Interests while in the United States: Dr. Montanaro's two main interests are: (1) to study labor in the United States, and (2) to observe the functioning of Congress, and visit its Library. He also would like to meet high-level officials of the executive branch of the Federal Government including the Departments of State and Labor and the National Labor Relations Board; visit a labor training institute of a large university; study labor-management relations in the Chicago industrial complex; visit a medium-sized cooperative; and make courtesy calls on Federal and State judicial and penal officials.

Name: Ruben Stanley Rodriguez.

Present position: Member of the House of Representatives.

Personal data: Born, 1924; address, care of House of Representatives, Asuncion, Paraguay; marital status, married, Dr. Stanley will be accompanied by his wife; languages, native, Spanish; Dr. Stanley speaks some English, however, he will be accompanied by a Department of State escort-interpreter.

Other present positions: Member of the highest body of the Colorado Party.

Past positions: Ministry of Foreign Affairs in the Paraguayan Embassy in Buenos Aires, Argentina; judge of criminal court.

Objectives of U.S. visit: The Honorable Ruben Stanley Rodriguez will visit the United States for 30 days with other members of the Paraguayan congressional delegation to observe representative examples of civic activities, industry and agriculture. He is particularly interested in observing techniques of reclaiming land for agriculture, land settlement and development, cattle raising, and fruit production. He is also interested in visiting major universities to gain more insight about organization and curriculum. He would like to visit the U.S. Congress in session and a session of a State legislature. Another major interest is a visit to a criminal court in session.

Name: Francisco Domingo Volpe.

Present position: General secretary of Levi Liberal Party.

Personal data: Born, April 30, 1933, Asuncion, Paraguay; address, Cerro Cora casl Brasil, Asuncion, Paraguay; academic train-

ing, medical school, 1959; languages: native Spanish. Dr. Volpe has an inadequate knowledge of English and will be accompanied by a Department of State escort-interpreter.

Other present position: Surgeon, Sanatorio San Benigno and Hospital de Clinicas.

Past positions: Chief of medical residents in Hospital de Clinicas.

Membership in organizations: Medical Association of Paraguay.

Travels abroad: Dr. Volpe has traveled in Argentina and Uruguay.

Objectives of U.S. visit: The Honorable Francisco Domingo Volpe will visit the United States for 30 days with other members of the Paraguayan congressional delegation to observe representative examples of civic activities, industry, and agriculture. He is particularly interested in visiting major universities to further his interest in medical schools. He would also like to visit a rural area to learn more about the growing of fruit and vegetable products and about the land-holding laws and cattle raising in the United States. He is also interested in visiting the U.S. Congress in session and a State legislature.

Name: Luis Maria Argaña.

Present position: Member of the House of Representatives; professor at law faculty, National University of Asuncion.

Personal data: Born, October 9, 1932, Asuncion, Paraguay; address, Chile 327, Asuncion, Paraguay; marital status, married, Mr. Argaña will be accompanied by his wife; academic training, Law School, National University of Asuncion, 1954, doctorate in law and social sciences, 1958, special course in ALARC at the University of Montevideo, 1963; Languages, native, Spanish, Mr. Argaña has an inadequate knowledge of English and will be accompanied by a Department of State escort-interpreter.

Past positions: Prosecuting attorney, civil and criminal courts; director of legal department of the municipality of Asuncion.

Membership in organizations: Paraguayan Bar Association; Inter-American Bar Association; Catholic Bar Association.

Publications: Book entitled "Paraguay," published by the National University of Asuncion.

Travels abroad: Mr. Argaña has traveled both in Europe and in Latin America.

Objectives of U.S. visit: The Honorable Luis Maria Argaña will visit the United States for 30 days with other members of the Paraguayan congressional delegation to observe representative examples of civic activities, industry, and agriculture. Mr. Argaña is especially interested in visiting major universities in the schools of business and economics. He would like to visit the U.S. Congress in session and to gain more knowledge about State and municipal government throughout the United States. His other interests include visiting an automobile plant and observing a criminal court trial.

Name: Miguel T. Romero.

Present position: Member of the House of Representatives.

Personal data: Born, September 29, 1924, Luque, Paraguay; address, José Berges 1124, Asuncion, Paraguay; marital status, married, Mr. Romero will be accompanied by his wife; academic training, bachiller, Catholic Seminar of Asuncion; languages, Native, Spanish, Mr. Romero speaks some English, however, he will be accompanied by a Department of State escort-interpreter.

Other present positions: Public relations consultant, Ministry of Industry and Commerce.

Past positions: General Director of Tourism; Director of Public Relations, Ministry of Public Health; Director of Administra-

tion and Accountancy, Ministry of Public Works; secretary of Paraguayan Embassy in Bolivia.

Membership in organizations: Press Association of Paraguay; Interparliamentarian International Union.

Publications: Mr. Romero has published 40 brochures on politics and several articles on a variety of subjects. He was chief for the political page of the daily newspaper, Patria.

Travels abroad: Mr. Romero has traveled both in the United States in 1964, and in Latin America (Argentina, Brazil, Chile, Uruguay, Bolivia, Peru and Venezuela).

Objectives of U.S. visit: The Honorable Miguel T. Romero will visit the United States for 30 days with other members of the Paraguayan congressional delegation to observe representative examples of civic activities, industry and agriculture. Mr. Romero is particularly interested in learning about truck farming, the growing of fruits and vegetables, the dehydration of farm products and the canning of orange and tomato juices. He would also like to visit the U.S. Congress in session and to gain knowledge about various legislative systems on the State level. He would also like to visit an automobile plant.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

SUSPENSION OF THE INVESTMENT CREDIT AS A SUBSTITUTE FOR TITLE II OF THE BILL

Mr. LONG of Louisiana. Mr. President, I wish to speak to the amendment submitted by the distinguished Senator from Tennessee [Mr. GORE].

The Senator from Tennessee presented his proposal to the Secretary of Treasury in hearings before the Finance Committee. The Secretary indicated that the Treasury prefers the approach adopted in this bill to the one proposed by the Senator. A majority of the Finance Committee, which gave careful consideration to the Senator's proposal, also indicated a preference for the bill as it stands. There are good reasons for the position taken by the Secretary and the majority of the committee.

There is virtually no difference in the revenue effects of the two proposals. The excise tax provisions of the bill will add \$35 million to revenues in fiscal 1966 while suspension of the investment credit on March 1 would add \$80 million to revenues. The excise proposals will add \$1.2 billion to revenues in fiscal 1967, the same amount as suspension of the credit will produce under the terms of the Senator's amendment. Because there is no difference in revenue impact, such as relation effectiveness as an inflation preventative.

PREVENTION OF INFLATION

H.R. 12752 provides a balanced program to prevent inflation. The most important provision from a revenue standpoint is the acceleration of corporate estimated tax payments. This provision will restrain investment by the Nation's 16,000 largest corporations. Graduated

withholding and the excise-tax proposals will affect consumers, restraining consumption expenditures. The bill as it now stands, therefore, will moderate both private investment spending and private consumption spending.

In contrast to this balanced approach, the Senator's proposal would shift virtually the entire weight of the bill on to investment. Investment would be restrained both by the acceleration of corporate tax payments feature and by the 2-year suspension of the investment credit. Consumption, on the other hand, would be restrained only by the effect of graduated withholding, which may largely disappear in 1967, when the withholding allowance procedure goes into full effect.

Inflation is the problem of too much purchasing power chasing too few goods. We can prevent inflation by either holding down purchasing power or by making sure that the volume of goods produced increases in proportion to the increase in purchasing power. While at times it is necessary to put a little restraint on purchasing power, clearly it is better to prevent inflation by producing more rather than by spending less. That is why this is not the time to suspend the investment credit. We need to increase capacity to provide for the defense needs in Vietnam and to provide for a prosperous domestic economy. Some restraint on investment is probably called for to make sure that investment does not become too exuberant. But the Senator's proposal, coming on top of the acceleration of corporate tax payments, might apply too much restraint on investment.

While both the excise-tax proposals in this bill and suspension of the investment credit would tend to moderate private spending, the effect of the excise-tax proposals will be felt sooner. The effect of suspending the credit would be delayed, since it wouldn't apply to goods on order at the time the suspension becomes effective. The lag between order and delivery would delay the effect of suspending the credit until late in this year or early next year. The restraining impact of the excise-tax proposals will be felt as soon as the bill is passed or very shortly thereafter.

THE BALANCE OF PAYMENTS

The investment credit is very important to our balance of payments. In the first place, the credit encourages the modernization of American machinery and equipment. Such modernization makes our exports more competitive in world markets.

The credit has a second important effect on the balance of payments. It tends to make investment opportunities at home more attractive relative to investment opportunities abroad. If the credit were suspended, the pressures leading to an outflow of U.S. capital to take advantage of foreign investment

opportunities would become even stronger. As Senators know, the outflow of American capital has been one of the most difficult aspects of the problem faced by the President and the Congress in the effort to eliminate balance-of-payments deficits.

EQUITY AND ADMINISTRATION

When we consider the effects of the Senators' proposal, we must look at the entire bill and not confine ourselves to a comparison to the excise tax proposals and a suspension of the credit. The bill as reported by your committee spreads the burden of the added revenues needed to fight the war in Vietnam broadly and equitably over the population. The Nation's largest corporations, as is only fair, carry a heavy share of the burden. Both wage earners and self-employed persons are affected. Finally, the excise tax proposals themselves affect as broad a cross section of consumers as any two excises that I know.

The Senator's proposal would shift more of the burden of this bill on to business firms. His proposal, in other words, would make one sector of the economy carry most of the load. In this regard, we must remember that corporations are already in the midst of accelerating their tax payments. Under the terms of the Revenue Act of 1964, the acceleration of corporate payments would add \$1.8 billion to corporate tax payments in 1966 and \$2.1 billion in 1967.

This bill will step up the acceleration, producing a total increase in corporate tax payments of \$2.8 billion in 1966 and \$5.3 billion in 1967. The Senator's proposal would place the further burden of a reduction in the investment credit on business firms, primarily corporations.

While it might appear that it would be easy from an administrative standpoint to suspend the investment credit, there would be problems. Under the terms of the Senator's amendment, the credit cannot be taken with respect to property acquired after the date of enactment of the bill unless a binding commitment to purchase it existed before that date and installation is completed within 1 year after that date.

This rule will open up difficult areas of dispute between the Internal Revenue Service and business firms over what constitutes a binding commitment. I doubt if any mechanical rule can be followed here. Each case will have to be examined on its own merits.

If we try to avoid this problem by suspending the credit on all equipment installed after the date of enactment of the bill, we will treat unfairly the many businessmen who have made plans and committed themselves to the purchase of the equipment which cannot be installed until after that date. On the other hand, if we move the effective date back to take account of this, taxpayers will be encouraged to crowd their investments into

the period before the credit is suspended. This effect would not stabilize the economy, it would destabilize it.

CONCLUSION

In conclusion I would also like to point out that suspension of the investment credit would be a major change in tax policy. As the Secretary of the Treasury pointed out, the credit is viewed by the Treasury and the business community as a permanent feature of the tax law.

It is also a very significant feature of the tax law as far as liabilities are concerned. Under the circumstances, we should not alter the credit until public hearings are held and representatives of the public have had a chance to present their views and the Members of Congress have had an opportunity to consider those views carefully.

Mr. President, I discussed this matter with the senior Senator from Tennessee. The Senator felt that it might be well that the presentation appear in the RECORD, so that Senators could consider overnight the argument made by the Senator from Tennessee on behalf of his amendment, as well as the reply to the argument, and that we vote on this matter tomorrow.

Accordingly, I have discussed this matter with the ranking Republican member of the Committee on Finance, and I believe I am correct in saying that I did mention this subject to the majority leader. I believe that there will be no objection from the Republican side of the aisle.

UNANIMOUS-CONSENT AGREEMENT

Mr. President, I ask unanimous consent that, after the morning hour tomorrow, the amendment of the senior Senator from Tennessee [Mr. GORE] be laid before the Senate and that debate thereon be limited to 2 hours, 1 hour under the control of the Senator from Tennessee [Mr. GORE] and 1 hour under the control of the Senator in charge of the bill.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

Ordered, That on March 8, 1966, 2 hours after the bill (H.R. 12752) to provide for graduated withholding of income taxes from wages, to postpone certain excise tax rate reductions, and for other purposes, is laid before the Senate, following the conclusion of the morning business, the Senate proceed to vote on the Gore amendment on investment credit (No. 499).

Ordered further, That the 2 hours be equally divided and controlled by the Senator from Louisiana [Mr. LONG] and the Senator from Tennessee [Mr. GORE].

Mr. LONG of Louisiana. Mr. President, in addition, I have an amendment which I have discussed with other com-

mittee members. I believe this amendment will help to ease the administration of the bill and that it would be worthy of consideration in conference.

I ask unanimous consent that the amendment of the Senator from Tennessee may be temporarily laid aside, and that the Senate may proceed to the consideration of the amendment which I shall now offer.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. LONG of Louisiana. Mr. President, I send to the desk an amendment and ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana?

Mr. CARLSON. Mr. President, reserving the right to object, I do not want to object to the request of the distinguished chairman of the committee. However, I hope that we shall not start to introduce amendments and immediately debate such amendments when the time is limited to 2 hours on tomorrow.

I should like to discuss the amendment myself this afternoon.

Mr. LONG of Louisiana. Mr. President, if the Senator is disposed to object, I shall withdraw the amendment.

Mr. CARLSON. Mr. President, I do not object.

The PRESIDING OFFICER. There being no objection, it is so ordered.

The amendment offered by the Senator from Louisiana [Mr. LONG] is as follows:

On page 48, after line 20, insert the following new section:

SEC. 105. OPTION OF INDIVIDUALS TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS.

(a) In General.—Part I of subchapter A of chapter 1 (relating to tax on individuals) is amended by renumbering section 5 as 6, and by inserting after section 4 the following new section:

"SEC. 5. OPTION TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS.

"(a) Balances Due of \$5 or Less.—Under regulations prescribed by the Secretary or his delegate, if the amount shown on the return of an individual as the tax imposed by this subtitle for the taxable year exceeds by \$5 or less the sum shown on the return of—

"(1) the credits against tax allowed by part IV of this subchapter, and

"(2) the amount of estimated income tax paid with respect to the taxable year, the taxpayer may elect to disregard the amount of such excess.

"(b) Overpayments of \$5 or Less.—Under regulations prescribed by the Secretary or his delegate, if the sum shown on the return of an individual of—

"(1) the credits against tax allowed by part IV of this subchapter, and

"(2) the amount of estimated income tax paid with respect to the taxable year, exceeds by \$5 or less the amount shown on the return as the tax imposed by this subtitle for the taxable year, the taxpayer may

elect to disregard the amount of such excess.

"(c) Election.—An election under subsection (a) or (b) shall be made for each taxable year—

"(1) at the time of filing the return for the taxable year, and

"(2) in such manner as the Secretary or his delegate shall prescribe."

(b) Clerical Amendment.—The table of sections for part I of subchapter A of chapter 1 is amended by striking out the last item and inserting in lieu thereof the following:

"SEC. 4. Option to disregard balances due and overpayments of \$5 or less.

"SEC. 5. Cross references relating to tax on individuals."

(c) Effective Date.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1966.

Mr. LONG of Louisiana. Mr. President, my amendment is designed to simplify procedures for taxpayers. The amendment is essentially a very simple one. It merely provides that when the amount due or the overpayment of tax is \$5 or less, taxpayers at their option may skip payment or not claim a refund.

This amendment should have the effect of encouraging taxpayers either by withholding or by declaration payment to make sure that the withheld amount comes within \$5 of their tax liability as shown on their return. If they do this, they can ignore the balance due and will not have to write a check for the balance.

The significance of this is indicated by the fact that under Treasury Department estimates with respect to the new withholding procedures, it is believed that 20 million taxpayers will have within \$10 of the correct amount of tax accounted for by the new graduated withholding system. To the extent that these amounts are within \$5 of the amount due, taxpayers will find it unnecessary to write a check at all when they file their income tax return. Thus, for these taxpayers the withholding system will account for the payment of their entire tax liability. In addition, there will be other taxpayers who, by declaration payment either supplementing withholding or in addition to it, will also find that they need to make no payment at the time they file their final tax return.

I hope that the amendment might be considered in conference. The amendment, if adopted, would save 10 million taxpayers a great amount of bookkeeping.

I have also discussed the amendment with the Senator from Delaware [Mr. WILLIAMS], who felt that this amendment would be worth considering and that it should be taken to conference.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CARLSON. Mr. President, before we vote on the bill, I hope to discuss some of the complexities of withholding.

I think possibly that the Senator from Louisiana has offered an amendment here which might simplify the measure

somewhat. If it does, I shall certainly heartily endorse it. It is the first time I have heard of the amendment. With that understanding, I shall not object to the amendment or oppose it.

Mr. LONG of Louisiana. Mr. President, I thank the Senator. I hope that this amendment, if agreed to, will ease some of the burdens of the taxpayers. If a taxpayer were to hire someone to advise him on how to file his return, it would cost him at least \$5 to obtain that advice.

I think this might be a net gain to both the taxpayer and to the Treasury Department.

I believe in the last analysis that we would tend to break even.

The amendment, if adopted, would eliminate a lot of bookkeeping.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Louisiana.

Without objection, the amendment is agreed to.

Mr. CARLSON. Mr. President, I do not rise necessarily to oppose the amendment offered by the distinguished Senator from Tennessee [Mr. GORE]. However, I do want to express my views on that amendment. I think that I would be less than frank if I did not state that, when the roll is called, I shall vote against the amendment.

This investment credit was enacted as a part of the Revenue Act of 1962. It was enacted with the thought that it would increase business investment—an important factor in achieving long-term growth and full employment.

We have now had 3 years' experience with this program. I think it can easily be demonstrated that it has resulted in expanded investment—directly through more efficient production and the purchase of more modern equipment, and indirectly through greater output.

The investment credit allows the purchaser of new equipment to take 7 percent of the cost of that purchase as a credit against his tax liability. However, the taxpayer was also required to subtract the amount of the credit from the cost of the asset for purposes of determining tax deductible depreciation.

At the present time there is considerable pressure to repeal the investment credit on the theory that it is resulting in inflationary pressures on our economy, through investment in modern equipment and greater output, at a time when our Nation is suffering from greatly increased war expenditures.

It is my opinion, even though Congress should appeal the 7-percent investment credit at this time, that it would not immediately be effective in an inflationary economy, for the reason that it would be too long before its effectiveness would be felt.

And second, it would be inequitable to take away the credit on projects already approved and undertaken by business.

Certainly, it would be a year or a year and a half before any effect on wholly new investments would be felt.

Our transportation industry has been suffering for years because of a lack of funds for expansion and the purchase of new equipment that is badly needed. This is especially true in regard to locomotives and boxcars.

Our Nation today is approaching a crisis in railway transportation, as a result of a boxcar shortage. It can be definitely proven that the 7-percent investment credit has been used to great advantage by our rail carriers in building boxcars.

Availability of tax incentives has had a marked influence on railroad capital expenditure programs, especially in periods of pressing equipment demands and increasing taxable earnings. The beneficial effect of tax incentives is reflected in past records of railroad capital spending, particularly for equipment.

The rapid amortization program during World War II, while limited in its immediate effectiveness by shortages of materials, helped to build up cash reserves for postwar replacement of worn-out equipment. Capital expenditures for equipment averaged \$322 million annually in 1941-45, and after the war rose to an average of \$822 million a year in 1947-49, as railroads in a 3-year period used their accumulated reserves to replace more than one-eighth of their freight cars and one-sixth of their locomotives.

By the close of 1949, net working capital of the class I railroads had declined to \$645 million, down nearly \$1 billion since 1945. With freight car supply generally adequate as measured by the then traffic demands, capital spending for equipment declined. However, with the entry of the United States into the Korean war and enactment of a new program of accelerated amortization, railroad capital spending immediately increased. Railroad outlays for equipment amounted to \$779 million in 1950, increased sharply to \$1,051 million in 1951, and averaged \$948 million in the 3-year period 1951-53.

A general economic recession and easing of demand for freight cars as a result of lessened railroad freight traffic followed termination of the Korean conflict in 1953 and resulted in railroad expenditures for equipment falling to \$499 million in 1954. As a result of an economic upswing in 1955 and continued tax incentives, railroad expenditures for equipment rose modestly to \$568 million in 1955. The announcement in the fall of 1955 of an intended termination of the tax incentive afforded by the rapid amortization program led to a last minute and substantial increase in orders for new freight cars. As a result equipment expenditures rose from \$568 million in 1955 to \$821 million in 1956 and to \$1,008 million in 1957.

The period 1958-61 was marked by

another general decline in the national economy, in the demand for freight cars and in railroad earnings. Lacking any special tax incentive for capital investment, railroad equipment outlays fell to an average of \$527 million per year, reaching a low of \$427 million in 1961. Aided largely by enactment in 1962 of the 7-percent investment tax credit and promulgation of more realistic guidelines for equipment depreciation, such spending increased year by year from 1961's \$427 million to \$593 million in 1962, \$785 million in 1963, \$1,140 million in 1964, and to an all time record \$1,300 million in 1965.

With a new freight car order book now even higher than a year ago and new locomotive production also at a high level, equipment purchases in 1966 are expected to exceed last year's record \$1.3 billion, barring removal of existing tax incentives.

Capital spending by railroads for facilities other than equipment was maintained in the early postwar years in a range from about \$300 million to \$400 million, the highest average occurring during the 1951-57 period of installation of emergency facilities certified under the amortization program set up in 1950. After 1957 such spending on roadway projects fell below \$300 million, touching bottom at \$219 million in 1961, but increasing each year thereafter as tax incentive was provided.

The upturn in spending for improvement and expansion of the rail car fleet under tax incentives has been substantially greater than indicated by the above figures which do not include expenditures made by railroad subsidiaries and others for cars which railroads use under various rental or leasing arrangements. Such expenditures are estimated to have approximated \$300 million in 1965 alone. Through leasing arrangements, railroads having no Federal income tax liability and therefore unable to realize direct benefits from available tax incentives, have received such benefits indirectly through the rental rates and have thereby been encouraged to acquire equipment they would not otherwise have been able to afford.

A conclusion that the investment tax credit, as utilized by the railroad industry, is accomplishing its purpose of encouraging capital spending and expansion need not rest on statistical inference alone. Railroad officials made public announcements in late 1962 and early 1963 that the investment tax credit and guideline depreciation were vital considerations in management decisions to order increased numbers of new freight cars.

Mr. President, I call this to the attention of the Senate for the very reason that this Nation today, in every section of our country, is suffering from a lack of boxcars; a lack of boxcars to move grain, cotton, and supplies for our military forces. In my opinion, it would be

a sad mistake if Congress made any changes in the provision of the 7 percent investment tax credit at this time.

I have here, Mr. President, a table compiled from Department of Commerce-SEC surveys of plant and equipment spending which shows the wide-ranging benefits of the investment credit as illustrated by the amount of credits that were received by 20 industries which were the largest beneficiaries in the corporate sector in 1963, the latest year for which such data are available. I ask unanimous consent that the table and an introductory statement be printed in the RECORD at this point.

There being no objection, the statement and table were ordered to be printed in the RECORD, as follows:

BENEFICIAL EFFECTS OF THE INVESTMENT CREDIT: DISTRIBUTION OF BENEFITS AMONG INDUSTRIES AND ACCOMPANYING INCREASES IN BUSINESS CAPITAL EXPENDITURES

Table 1 shows the wide-ranging benefits of the investment credit as illustrated by the amount of the credit received by the 20 industries which were the largest beneficiaries in the corporate sector in 1963, the latest year for which such data are available. These 20 industries accounted for 83 percent of the total investment credit of \$1,105 million actually taken in the corporate area in that year. They also accounted for about 71 percent of the \$626 million unused credit available for carryovers as of the end of 1963.

The magnitude and wide distribution of these benefits among key industries in our economy suggest the incentive they provided for expansion and modernization of our economic capabilities for meeting both civilian and defense requirements.

Table 2 presents data comparing the amount of business capital expenditures for new plant and equipment in 1961 and in 1963 and 1965, respectively. The increases in 1963 and 1965 over 1961 are shown both in dollar amounts and as percentages.

As shown by the table, business spending for new plant and equipment increased by \$4,850 million or 14 percent in 1963 over 1961 and by \$15,630 million or nearly 46 percent in 1965 over 1961.

While only a portion of all plant and equipment expenditures qualify for the investment credit (buildings and assets with useful lives under 4 years are excluded as are varying percentages of the cost of assets with lives between 4 and 8 years), it is apparent that the availability of the credit on the vital part of investment representing new machinery and equipment has assisted modernization and expansion generally.

As shown by the table, plant and equipment spending by the manufacturing industries were nearly 60 percent greater in 1965 than in 1961. Investment by the manufacturing industries is especially important because of their ability to contribute to exports and compete against imports and thus strengthen our balance-of-payments position. The railroad industry also showed a major increase in equipment modernization and growth (142 percent increase in capital outlays in 1965 over 1961), a development of great importance both to our civilian economy and defense.

These data confirm what is widely known: that the investment credit has been a vital consideration in business management decisions to modernize and expand in the period since 1961.

TABLE 1.—Investment credit—20 industries (2-digit SIC) which were largest beneficiaries, amount of credit taken, and unused credit, 1963

[In thousands]

Industry (2-digit standard industrial classification)	1963 ¹		Industry (2-digit standard industrial classification)	1963 ¹	
	Credit taken	Unused credit ²		Credit taken	Unused credit ²
1. Electric and gas companies and systems (largest component beneficiary, the electric utilities; also includes primarily the gas utilities)	\$135,230	\$21,592	12. Electrical equipment, machinery and suppliers (largest component beneficiary the electrical transmission and distribution equipment industry; also includes primarily electronic components, radio and television sets, and household appliance manufacture)	\$26,254	\$10,152
2. Communication (largest component beneficiary, telephone companies; also includes primarily radio and television broadcast companies)	99,225	5,334	13. Transportation equipment, except motor vehicles (largest component beneficiary aerospace and related industries; also includes primarily railroad equipment manufacturers)	24,480	1,722
3. Transportation (largest component beneficiary, the railroads; also includes primarily truckers, airlines, and pipelines)	96,756	166,884	14. Fabricated metal products (largest component beneficiary fabricated wire products and miscellaneous fabricated metal products ranging from toothpaste tubes to safes and vaults; also includes primarily structural metal products, such as bridge, building, and ship structural components and the metal can and metal stamping industries)	23,966	8,199
4. Chemicals and allied products (largest component beneficiary, the plastics, synthetic rubber, and manmade fiber industries; also includes primarily the basic chemicals and related products such as explosives, drugs, fertilizers, and soaps)	78,040	22,861	15. Textile mill products (largest component beneficiary cotton cloth manufacturing; also includes primarily knitting mills, yarn and thread mills, and the synthetic fiber cloth industry)	20,174	7,783
5. Primary metal industries (largest component beneficiary the iron and steel industry; also includes primarily the nonferrous metals such as aluminum, copper, lead, and zinc)	63,573	22,836	16. Banks and trust companies (commercial banking institutions and mutual savings banks but not savings and loan associations)	19,818	2,446
6. Food and kindred products (largest component beneficiary dairy products; also includes primarily the flour and cereal industry, the beer industry, the canned and frozen food industry, and bottled soft drinks)	58,443	19,328	17. Printing, publishing, and allied industries (largest component beneficiary, printing and business form industry; also includes primarily newspapers, book publishers, and bookbinding and similar printing trade services)	19,335	8,302
7. Petroleum refining and related industries (largest component beneficiary the big integrated petroleum refining and extraction companies; also includes primarily oil refiners and the coal tar products industry)	51,571	88,891	18. General merchandise stores (largest component beneficiary, department stores; also includes primarily variety stores)	18,681	8,911
8. Motor vehicles and equipment (largest component beneficiary the auto manufacturers; also includes primarily the auto parts industry)	47,316	3,354	19. Rubber and miscellaneous plastic products (largest component beneficiary, tires and inner tubes; also includes primarily miscellaneous rubber products and plastic castings "made for the trade")	18,262	3,491
9. Machinery, except electrical and transportation (largest component beneficiary the office computing and accounting machine industry; also includes primarily the metalworking machinery industry and the construction, mining, and materials handling equipment industry)	35,961	10,282	20. Retail trade, food stores	17,745	7,067
10. Paper and allied products (largest component beneficiary the paper, paperboard, and building paper and board industry; also includes primarily the paper box and container industry and pulp mills)	31,195	11,387	Total, 20 largest beneficiaries	916,918	444,931
11. Stone, clay, and glass products (largest component beneficiary cement producers; also includes primarily makers of concrete, gypsum, and plaster products and the glass industry)	30,893	14,109	Total all active corporations	1,105,353	625,590
			Total, 20 largest beneficiaries as percentage of total all active corporations	83.0	71.1

¹ For 1966, the total amount of the investment credit taken by corporations generally will be about 60 percent greater than in 1963.

² Unused credit includes credit on 1963 investments not used in 1963 plus carryover of unused credit from 1962.

Source: Based on Statistics of Income.

TABLE 2.—Business capital expenditures for new plant and equipment—Increase in expenditures in 1962 and 1965 over 1961, by major industry group

[Dollar amounts in millions]

	Plant and equipment expenditures		Increase in 1963 over 1961		Plant and equipment expenditures, 1965	Increase in 1965 over 1961			Plant and equipment expenditures		Increase in 1963 over 1961		Plant and equipment expenditures, 1965	Increase in 1965 over 1961	
	1961	1963	Amount	Per cent		Amount	Per cent		1961	1963	Amount	Per cent		Amount	Per cent
Manufacturing	\$13,680	\$15,690	\$2,100	15.4	\$21,880	\$8,200	59.9	Other	\$1,450	\$2,050	\$600	41.4	\$2,390	\$940	64.8
Durable goods industries	6,270	7,850	1,580	25.2	10,960	4,690	74.8	Nondurable goods industries	7,400	7,840	440	5.9	10,920	3,520	47.6
Primary iron and steel	1,130	1,240	110	9.7	1,880	750	66.4	Food and beverage	980	970	-10	-1.0	1,170	190	19.4
Primary nonferrous	260	410	150	57.7	630	370	142.3	Textile	500	640	140	28.0	1,010	510	102.0
Electrical machinery and equipment	690	690	0	0.0	800	110	15.9	Paper	680	720	40	5.8	1,130	450	66.2
Machinery, except electrical and transportation	1,100	1,240	140	12.7	1,990	890	80.9	Chemical	1,620	1,610	-10	-0.6	2,470	850	52.5
Motor vehicles and parts	750	1,060	310	41.3	1,980	1,230	164.0	Petroleum and coal	2,760	2,920	160	5.7	3,830	1,070	38.8
Transportation equipment, excluding motor vehicles	380	530	150	39.4	520	140	36.8	Rubber	220	240	20	9.1	350	130	59.1
Stone, clay, and glass	510	610	100	19.6	760	250	49.6	Other	650	730	80	12.3	970	320	49.2
								Railroad	670	1,100	430	64.2	1,620	950	141.8
								Transportation, other than rail	1,850	1,920	70	3.8	2,790	940	50.8
								Public utilities	5,520	5,650	130	2.4	6,690	1,170	21.2
								Communication	3,220	3,790	570	17.7			
								Commercial	8,460	10,030	1,570	18.6			
								Total	34,370	39,220	4,850	14.1	50,920	15,630	45.5

Source: Compiled from Department of Commerce-SEC surveys of plant and equipment spending.

Mr. CARLSON. Mr. President, I call to the attention of the Senate telegrams I have received from two of the outstand-

ing railways in our Nation in regard to the need for continuation of the 7 percent investment credit, and also as to

the amount of money that they have been spending annually, based upon the 7 percent investment tax credit.

A wire from the Atchison, Topeka & Santa Fe Railroad reads as follows:

CHICAGO, ILL.,
March 4, 1966.

Hon. FRANK CARLSON,
New Senate Office Building,
Washington, D.C.:

We are pleased to know of your support of retention of investment tax credit. In order that you might be aware of its IHO us, we though the following information would be of interest to you.

Gross capital expenditures of the Santa Fe Railway and its controlled subsidiary companies averaged \$70.6 million annually for the years 1955 to 1962, inclusive. The effect of the 7 percent investment tax credit was an important consideration in our planning of capital expenditures subsequent to its enactment and contributed to our decision to make the following increased expenditures: 1963, \$91.9 million; 1964, \$121.9 million; 1965, \$157.3 million; and planned expenditures for 1966 approximate \$188 million. Completion of the 1966 program will bring out investment to more than \$403 million for over 21,000 new freight cars and new diesel locomotives in just 4 years. These substantial expenditures have been made by Santa Fe not only to meet its own freight car needs in the face of chronic car shortages but also to make a substantial contribution to the Nation's car supply.

The importance of this legislation to the railroad industry cannot be minimized. The carriers should be given every encouragement to continue their substantial improvement programs in order to assure an adequate car supply for future economic growth and adequate transportation for the needs of the Nation's defenses.

E. S. MARSH,
Santa Fe Railway.

I am advised that in the 10 years preceding 1961, the Union Pacific spent \$605 million on road and equipment improvements, or an average of \$60,500,000 per year. That in 1961, the year preceding the enactment of the 7-percent deduction provision, the Union Pacific had spent \$49,900,000; that after the enactment of the deduction provision the Union Pacific in 1964 spent \$107,800,000; in 1965 they spent \$121,300,000.

Actual expenditures for the years 1962 through 1965 and budgeted expenditures for 1966 are as follows:

1962-----	\$64,404,130
1963-----	75,803,463
1964-----	107,876,141
1965-----	121,300,000
Budget for 1966-----	160,000,000

Mr. President, I call this to the attention of the Senate for the very reason that in this Nation, and particularly in the grain belts of the Nation, we are facing a great demand for cars that are in great shortage. It is impossible to move much of the grain in those areas at the present time, and I know that the car shortage is felt in other areas of the Nation as well. I sincerely hope that no action will be taken at this time that will in any way reduce the opportunities for these carriers to expand their supply of locomotives and boxcars, at a time when our Nation is in war.

Mr. President, I had not intended to discuss the graduated withholding provisions of this bill until the distinguished Senator from Louisiana [Mr. Long], the chairman of the committee, offered an amendment which has been approved.

It is my opinion that the graduated withholding plan in this bill is designed to bring withholding more in line with our graduated income tax rates. While it may be true that a significant number of employees will eventually find their withholding more nearly equal to their tax, I think many of us overlook the fact that this quest for improvement in the withholding system will not be without its complications for millions of wage earners.

The bill requires that employers put the new withholding rates into effect on May 1 of this year. This allows only a short time for employees to learn about the new system—which will involve six withholding rates instead of the one now in effect. Married employees must file new withholding certificates before May 1 to qualify for withholding under the rates for married people. Moreover, those employees who have voluntarily increased their withholding so that it will meet their tax liability will have to make adjustments within this period if they want to avoid overwithholding under the new rates. Employers will have to revise their withholding procedures to accommodate to the new system. Unless the Internal Revenue Service acts quickly to inform employers and employees of the new system, we can expect a lot of confusion. I must say that the Service has assured us it will do all it can to keep the confusion and difficulties to a minimum.

I realize, however, that this is only a short-term problem that will pass with time. Nevertheless, we must recognize that the transition will put a burden on our citizens and businesses.

Many of our citizens will find in May that the current tax payments they make through withholding will increase. I am sure some will not be expecting this, and they may be suddenly surprised. It is, of course, true that the additional payments will be reflected in turn in the lower tax bill next year, for the real tax liability is not changed and more payments now simply mean a lesser amount need be paid later on. Still, we should be preparing for the higher payments starting in May.

There has been much discussion about the overwithholding that this graduated plan will produce for some employees. While there are some who will not object, there are others who may find this a substantial hardship. Of course, we have always had overwithholding in our tax system, and this bill has really served to focus attention on this problem. The bill does include a special relief provision for substantial cases of overwithholding caused for employees with relatively large deductions. Again, to achieve more equity, we are adding a complex formula to the law which employees who choose this relief must apply every year. I can only hope and expect that the Internal Revenue Service will make every effort to translate this formula into a simple form, perhaps through the use of tables.

My real hope is that we are obtaining enough improvement through the graduated withholding plan to compensate for the complexities which we are plac-

ing on millions of employees and their employers. We must assume that the result of keeping taxpayers more current and reducing the yearend bills that now face many taxpayers through the present underwithholding—and which brought many complaints last year—justifies the necessary complexities of this bill. The changes we are adding do take some of the rough edges off the withholding system, but the improvements do come at a price. I can only hope that the balance overall is a favorable one, and that as we go along and gain experience with graduated withholding and the new relief provisions we will be able to produce even a better system.

Mr. President, I am pleased that the distinguished chairman of the committee offered an amendment which, I am hopeful, will remove some of the complexities and simplify the measure, which I know will cause some difficulties to millions of our citizens.

Mr. LONG of Louisiana. Mr. President, will the Senator from Kansas yield?

Mr. CARLSON. I yield.

Mr. LONG of Louisiana. I wish to congratulate the distinguished Senator from Kansas for the fine statement he has just made. I have never observed the Senator's voting anything other than his complete conscience on tax matters. I have not yet seen him cast a vote in a partisan way on revenue matters, or, for that matter, on very few other matters. I am grateful to the Senator from Kansas for the thoughtful and studious attention he gives to all revenue matters that come before the Senate.

ORDER FOR ADJOURNMENT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that when the Senate concludes its business today, it adjourn until 12 o'clock noon tomorrow.

The PRESIDING OFFICER (Mr. BYRD of Virginia in the chair). Without objection, it is so ordered.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. McNAMARA. Mr. President, I regret very much that I cannot support the proposal—to restore excise taxes on automobiles and telephone service which we removed last year.

It is highly inappropriate for us to reinstate so soon—these taxes which were reduced such a very short time ago.

We took a proper and overdue step last year—when we removed many of the excise taxes that had been borne for so long by consumers—and reduced the automobile and telephone excise taxes as the first steps toward eliminating them.

That was a proper thing to do—because consumers taxes are the worst kind. In many cases they are levied on items that are needed by rich and poor alike—and violate the principle that taxes should be based on ability to pay.

Why have the administration—and thus far, the Congress—chosen to restore the excise taxes on these two items?

Secretary of the Treasury Fowler has been frank to say that it is entirely a matter of convenience. In his testimony before the Senate Finance Committee he explained:

With regard to the automobile and telephone taxes, however, only a change in rate is involved—not a restoration of an entire tax. No additional accounting and reporting are involved, and there is no reintroduction of the compliance and administrative difficulties involved in the various small taxes.

Thus—it is ease of collection—rather than merit—which appears to govern the Treasury's tax policy.

Raising the excise tax rates on automobiles and telephone calls will produce \$60 million in fiscal year 1966 and \$1.2 billion in fiscal year 1967.

This is a poor way to raise this sum—when we consider the alternatives that are available.

Federal taxation—most experts agree—should be based on ability to pay—not on ease of collection.

We should examine carefully any proposals to soak the consumer—at a time when profits are breaking all records—and when we have just reduced the burden of taxation on many luxury items.

We should examine carefully any proposals to soak the consumer—when we consider that consumer spending is such an important factor in maintaining our high levels of employment.

We should ask ourselves who are best able to bear this additional cost of the war in Vietnam—at a time when we are asking working people to limit their wage increases to 3.2 percent per year.

The economy is booming—partly because of the tax reductions we have voted in recent years—and partly because of the war in Vietnam.

This prosperity is accompanied by enormous increases in profits.

While the Council of Economic Advisers attempts to impose that 3.2 percent ceiling on wage increases—cash dividends paid by corporations issuing public reports rose 10.25 percent during 1965—according to the Department of Commerce.

Corporate profits—before taxes—were at an all-time high in 1965—of \$74.6 billion—as compared with \$64.8 billion in 1964. This is an increase of more than 15 percent.

Profits after taxes rose from \$37.2 billion to \$44.5 billion from 1964 to 1965. This is an increase of 19 percent.

These profit figures are well known. I get them from the Economic Report of the President for January 1966. They are no secret to those who are being asked to sacrifice by restricting their wage demands—or by paying higher consumer taxes.

These increased profits are a much more reasonable source of additional revenue—than the restoration of con-

sumer taxes on items that can hardly—these days—be considered luxuries.

While this legislation proposes to restore the higher level of taxes on automobiles and telephone calls—it lets stand these annual losses in excise taxes which were entirely removed on June 22, 1965:

Jewelry: \$220 million.
Furs: \$30 million.
Toilet preparations: \$210 million.
Luggage: \$90 million.
Business machines: \$75 million.
Sporting goods, excluding fishing equipment: \$25 million.
Phonograph records: \$30 million.
Musical instruments: \$27 million.
Television sets: \$135 million.
Radios and phonographs: \$90 million.
Cameras, films and lenses: \$40 million.
Air conditioners: \$34 million.
Lighters: \$3 million.
Matches: \$4 million.
Playing cards: \$11 million.
Coin operated amusement devices: \$6 million.

Bowling alleys and pool tables: \$7 million.

Safe deposit boxes: \$7 million.
General admissions: \$55 million.
Cabaret admissions: \$47 million.
Club dues: \$85 million.
Manufactured tobacco: \$18 million.

Here are taxes that can yield about \$1.25 billion annually—just about the amount the administration expects to gain by restoring telephone and automobile excise taxes to their earlier and higher levels.

I am against restoring these taxes, too—because they are consumer taxes. We did well to remove them last year. Yet it seems to me much more reasonable—and defensible—if any taxes are to be restored—to restore luxury taxes—than to raise taxes on items as essential to most people as automobiles and telephone calls.

The Treasury says that reinstating the luxury taxes involves a lot of trouble and bookkeeping. That argument may be valid—but if these taxes are not to be reimposed—then neither should taxes on items much more necessary to the ordinary consumer.

The argument is that it is easier to raise an existing tax than to impose new ones—or to restore taxes that have been removed altogether. This argument can be applied to other taxes—and more equitable taxes—as well as to those it proposes to raise.

If we are to be serious in our efforts to hold down inflation—if we really want to persuade working people that they are not the only group being subjected to controls, if we are to seek needed extra revenue from sources best able to pay—then we should certainly look to the enormously inflated profits of the present period.

I asked the Treasury to estimate for me the effect of an increase of 1 percentage point in the basic corporate income tax rate. It replied that this would raise \$700 million a year.

Since we are asked to raise taxes about \$1.26 billion in fiscal years 1966 and 1967—I propose that instead of restoring the excise tax cuts on telephone calls and automobiles—we raise the basic cor-

poration income tax by 2 percentage points—to yield \$1.4 billion.

This will be an easy tax to compute and collect. It will be a fair tax. In the swollen state of profits today—it will also be an easy tax to pay.

Mr. CARLSON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, the Senate Finance Committee by a vote of 10 to 1 approved my amendment, as appearing in section 301 of the pending bill, the purpose of which is to prohibit any advertising in political programs or in programs of groups sponsored by political committees from being considered as deductible expense for income tax purposes.

Since the approval of this amendment, questions have arisen in both political parties as to whether or not it is broad enough to cover such advertisements or contributions when the profits are to be used by a political party or a candidate for educational research or some other similar purpose or when such advertisements appear in almanacs or other types of campaign folders.

The answer most emphatically is that the amendment as drafted does cover such situations and any similar arrangement which may be devised later. Advertisements under any such circumstances if this amendment is approved by the Senate will not be deductible.

In this connection, I ask unanimous consent that a copy of the amendment as it was approved by the committee be printed at this point in the Record.

There being no objection, the amendment was ordered to be printed in the Record, as follows:

SEC. 301. DISALLOWANCE OF DEDUCTIONS FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

(a) DISALLOWANCE.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

"(a) DISALLOWANCE OF DEDUCTIONS.—No deduction otherwise allowable under this chapter shall be allowed for any amount paid or incurred for—

"(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate,

"(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate, or

"(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

"(b) DEFINITIONS.—For purposes of this section—

"(1) **POLITICAL PARTY.**—The term 'political party' means—

"(A) a political party;

"(B) a National, State, or local committee of a political party; or

"(C) a committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions (as defined in section 271(b)(2)) or make expenditures (as defined in section 271(b)(3)) for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any Federal, State, or local elective public office, or the election of presidential and vice-presidential electors, whether or not such individual or electors are selected, nominated, or elected.

"(2) **PROCEEDS INURING TO OR FOR THE USE OF POLITICAL CANDIDATES.**—Proceeds shall be treated as inuring to or for the use of a political candidate only if—

"(A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and

"(B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office).

"(c) **CROSS REFERENCE.**—

"For disallowance of certain entertainment, etc. expenses, see section 274."

(b) **CLERICAL AMENDMENT.**—The table of sections for such part IX is amended by adding at the end thereof the following new item:

"Sec. 276. Certain indirect contributions to political parties."

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of this Act.

Mr. WILLIAMS of Delaware. I shall ask that there be printed in the RECORD a statement outlining the purpose and legislative intent of this amendment should it be adopted in its present form. This analysis was prepared not just by myself but in cooperation with the staff of the Joint Committee on Taxation working with the Treasury Department. This is a clear analysis as to how we intend this amendment to be interpreted should it be approved in its present form.

I ask unanimous consent that the statement outlining the legislative intent be printed at this point in the RECORD.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

STATEMENT ON AMENDMENTS SPONSORED BY SENATOR JOHN WILLIAMS

Included in the bill as reported by the Committee on Finance are two amendments I sponsored.

AMENDMENT ON INDIRECT POLITICAL CONTRIBUTIONS

The first of my amendments is designed to clear up the tax treatment of what really are indirect political contributions. It is the committee's view that political contributions either generally should be deductible or not deductible. I see no reason for special treatment just because we call some of them advertising, admissions, or anything else.

Under existing law political contributions generally are not deductible. Nevertheless, it is common knowledge that this rule has, for some time, been circumvented by the simple expedient of framing contributions in the form of purchases of advertising space in various party-sponsored publications. In spite of the obvious transparency of this device, I am informed that it is by no means

certain that deductions for such "advertising expenses" will be disallowed. I am not only concerned with the lack of clarity in present law as to the deductibility of these contributions. I am also concerned about the participation of political parties in schemes which by indirection attempt to create tax deductions for payments which, if made directly, would not be allowable.

For these reasons I proposed this amendment to the bill (H.R. 12752) to make it unmistakably clear that political contributions made in the form of advertising, payments for admissions, or payments by other indirect means, are not to be deductible for income tax purposes.

Under this amendment amounts paid for advertising in a political convention program are not to be deductible under any circumstances. In addition, amounts paid for advertising in any other publication are not to be deductible, if any part of the proceeds of the publication inures, directly or indirectly, to a political party or a political candidate. In determining whether proceeds inure to a political party or candidate the use to which they are put by the party or candidate is completely irrelevant. The fact that such proceeds are used by a political party or candidate only for educational and research purposes, or for any other similar purposes, does not make the advertising deductible.

In addition, my amendment specifies that no deduction is to be allowed for the admission charge to any dinner or program, if any part of the proceeds of the dinner or program inures, directly or indirectly, to a political party or a political candidate. A charge for admission for this purpose includes not only amounts paid for the right to attend the event, but also includes any additional amount paid to entitle the person to participate in activities carried on at the event.

My amendment also provides that charges for admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or political candidate are not to be allowed as deductions. This provision applies regardless of the sponsorship of the event or of the disposition of the proceeds. Under this provision, charges for admission to an inaugural ball sponsored by nonpartisan or bipartisan committee or organization are not deductible. This is true even if the proceeds are used only to defray the expenses of the ball or similar event. The provision applies whether the inaugural celebrated is for a Federal, State, or local official (elected or defeated).

A political party for purposes of my amendment includes (in addition to a political party as commonly understood) a national, State, or local committee or a political party. It also includes any committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any elective public office, or the election of presidential or vice presidential electors. These organizations are treated as political parties whether or not the individual succeeds in being selected, nominated, or elected.

In general, this amendment is patterned after the provision of present law denying deductions for worthless debts owed by a political party. However, it differs slightly to make it clear that (as was intended under the worthless debt provision) it applies to candidates at primary elections.

Mr. WILLIAMS of Delaware. Mr. President, immediately following, I ask unanimous consent that two editorials be printed in the RECORD, one appearing in the Washington Post entitled "Back-

Door Fundraising" and the other appearing in the Wilmington Morning News of March 4 entitled "Twilight of a Shakedown."

Questions raised in the first editorial are answered in the statement above.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Washington Post, Mar. 5, 1966]
1966]

BACK-DOOR FUNDRAISING

The chief question about Senator JOHN J. WILLIAMS' amendment to the tax bill striking at corporation advertising in political fundraising publications is whether it goes far enough. The fund raisers have driven a coach and four through the flimsy provisions of the Corrupt Practices Act. It was once thought to prohibit corporations from contributing to political campaigns. But it has not stopped either party from soliciting advertising in convention books and thinly disguised campaign pamphlets designed to raise money for "educational purposes."

At Senator WILLIAMS' behest, the Finance Committee voted to forbid any tax deduction for advertising expenses in a convention program of a political party or other publication if the proceeds would inure to the benefit of a political party or candidate. The amendment is intended, of course, to prevent businessmen from passing part of the cost of these favors on to the public by charging them off as business expenses. But already its meaning is in dispute. If the language is not now unmistakably clear, we hope that it will be spelled out in no uncertain terms.

This newspaper has long advocated tax exemption for small individual contributions to the political parties and candidates. But no party should have any back-door siphon into corporate treasuries. The fact that corporate ads in party publications may have some commercial value is beside the point. Whatever that value may be, corporations may be reasonably required to forgo it in the interests of clean politics. Indeed, we surmise that the managements of the big corporations would be the first to welcome a flat ban on corporate ads in party publications as a means of escaping from potential shakedowns. In any event, the public interest requires an abrupt cut-off in this flow of corporate funds into partisan treasuries.

[From the Wilmington (Del.) Morning News,
Mar. 4, 1966]

TWILIGHT OF A SHAKEDOWN?

U.S. Senator JOHN J. WILLIAMS is another big notch further along in his campaign to tighten up the Federal denial of tax deductibility for contributions to political parties or candidates for office. On his insistence the Senate Finance Committee has agreed that the cost of advertisements in political brochures should no longer qualify as business expense deductible on corporation income taxes.

Whether it's a printed program for a convention or for a fundraising clambake in shirt sleeves—the device of selling high-price ads has become popular with party factotums. They have found it especially useful in arm twisting big cash gifts out of firms that do business with Government—or hope to. It is also true that some firms have resolutely refused to be shaken down this way.

Last December a brochure extolling the Democrats' achievements in the 89th Congress contained \$1 million worth of advertising. (There have been Republicans willing to say the example is worth emulating.) Even before that glad rag came out, Senator WILLIAMS had laid his plans shrewdly enough. He introduced a pair of contradictory bills.

One permitted deductibility for all such ads; the other outlawed it. Then he challenged the U.S. Treasury to choose between the two versions.

Chapter 2: This week Secretary of the Treasury Henry H. Fowler told Senator WILLIAMS his Department favored an amendment to rule out deductibility on advertising of this type. That was all the Sussex-bred watchdog of the Treasury needed. Armed with Mr. Fowler's endorsement, he saw his amendment go through the committee 10-to-2.

Since the removal of this deductibility will have a direct effect on corporation tax revenues, Senator WILLIAMS was doubly shrewd. For best speed he attached his amendment not to the basic Corrupt Practices Act itself but to the administration's new tax bill which had already sailed through the House of Representatives in the context of the Vietnam war. If and after the Senate accepts the amendment, back in the House it stands to find some champions of clean politics. One of them has already raised a banner in the WILLIAMS style. That is Representative CHARLES L. WELTNER, Democrat, of Georgia, who refused to use the proceeds of a program for a fundraising theater party to help his own election campaign in 1964.

Before long, let's hope, corporations will be on the same footing with individual taxpayers in this manner: No tax deductions for political contributions. And the corporations themselves, we are sure, will be the last to complain.

STATEMENT OPPOSING THE RIBICOFF AMENDMENT

Mr. LONG of Louisiana. Mr. President, the Ribicoff amendment would provide a tax credit against individual income tax liability, determined according to a sliding schedule applied to payments for tuition, fees, books, supplies, and equipment incurred on behalf of a student enrolled at an institution of higher education. The tax credit would be available to any taxpayer who legitimately may claim the student as a dependent of his on his income tax return.

Two years ago, when this same proposal was under consideration as a floor amendment to the Revenue Act of 1964, Senator RIBICOFF stated that his purpose was to ease the heavy financial burden of college costs and thus help to reach the goal of enabling every deserving young man and woman in this country to obtain a college education.

I think we ought to examine the proposal on its merits to determine the extent to which it may succeed in its objectives.

The maximum tax credit would be \$325 on tuition, fees, and so forth, of \$1,500. The credit would be \$150 on college costs of \$200, and \$175 at the median level of \$750 of expenses. The credit declines as income rises above \$25,000 and vanishes at \$57,500. Undoubtedly, a reduction in his tax burden would be welcomed by any taxpayer, but it is difficult to believe that the relief available from this amendment would provide the extra margin of funds required to permit more than a handful of young people to go to college who could not afford to go in the absence of the tax credit.

Senator RIBICOFF claims that 62 percent of the estimated tax benefits would go to families with incomes between \$3,000 and \$10,000. His estimate is correct, but another view of the estimates

presents a different picture. Sixty-two-percent share of these tax benefits also would go to taxpayers with incomes above \$7,500, which is approximately the median family income in the United States today. While all beneficiaries of this tax credit could hardly be classed as rich men, it is clear that the distribution of benefits is inequitable.

In addition, the annual costs of sending a young man or woman to college are described unfairly. Expenses for room, board, transportation, and personal items should not be included in the costs of going to college. After all, these living costs would have to be met under any circumstances.

The only relevant expenses are tuition, books, and fees. The estimates of the tax credit against such fees, presented by the Senator from Connecticut on Friday, average \$195 for the 92 institutions he listed. One hundred and ninety-five dollars is a sizable tax credit, but we should not deceive ourselves into believing that \$195, or \$22 a month for a 9-month school year, will be the critical difference in the decision whether or not to go to college.

It is of much greater importance to recognize that this shortcoming of the tax credit actually underscores its inability to provide general relief. Lower income taxpayers do not incur large enough tax liabilities to benefit from the tax credit. What is an even more melancholy consideration is that children in these families who possess the capacities to benefit from college training do not enter college because of this income inadequacy. In short, the tax relief amendment does not meet the major problem interfering with college attendance.

Many college administrators also oppose the Ribicoff plan because it fails to meet the real problems of bringing more students into colleges. In addition, they have stated that they would take steps to vitiate whatever benefits the tax credit would provide by increasing tuition. It has been estimated that three-quarters of the tax relief that could be obtained from the tax credit would be absorbed by increased tuition.

One easily can visualize legislative proposals from proponents of the Ribicoff amendment seeking to restore the benefits of the tax credit by enlarging the tax credit. We would then take off on a continuous, ascending spiral of higher tuition and fees and larger tax credits. The greatest victims would be the handful of students who might be able to afford college because of the initial tax credit. They would lose out as the rising tuition and fees wiped out the small beneficial margin they received initially.

Acceptance of the Ribicoff amendment to this bill would indeed be ironic. H.R. 12752 is a careful blend of changes in the tax laws which are designed to offset the inflationary edge of increased defense expenditures, to bring the economy to full employment and to keep it there. The tax adjustments in this bill will carry just the correct dosage of tax

medicine into fiscal year 1968 to avoid serious inflation. At that time, the normal rate of economic growth will generate sufficient tax revenues to offset further claims on our resources.

This amendment, however, will commit us now to reducing taxes on 1967 returns by more than \$1 billion when we do not know what our international and military commitments will be at that time. It is intended to forego tax revenues before we will have had the opportunity to assess our requirements.

It is also ironic that this amendment to a tax bill that is needed because of our military requirements so eagerly would reduce through a highly questionable tax credit the financial sacrifice of getting a college education—which provides so many personal benefits—when so many other fine young men are risking their lives and health in the military service of their country. Gentlemen, that is not a pretty picture.

At a matter of fact, it is worth pointing out that most of the young men whose families would be enjoying the tax credit would be going to college and would thereby be exempt from the draft. By contrast, the measure provides no tax credit for families of young men who are serving on the field of battle as a result of being drafted into the uniform of their country or as a result of volunteering to serve their country on the field of combat against the enemy.

The nature of the income distribution in the United States, and the patterns of college enrollment, effectively convert the tax credit to tax relief available primarily to the upper half of the income distribution. It is cruelly unfair to the lower income taxpayers to deny them tax relief, too, when they cannot afford to make the expenditures which are the basis of the tax relief. It would be far more equitable, effective, and beneficial to all taxpayers to wait until economic and budgetary considerations permit a general tax deduction of benefit to all. I might add that the tax credit contemplated in this amendment, in all probability, will delay the timing of a general tax reduction.

There remains, of course, the question whether the Ribicoff tax credit is necessary any longer in the light of recent legislation in the field of education.

The student loan program which was enacted last year is a far more beneficial and powerful medium for opening up the college gates to qualified students. The loans are available to all students, regardless of their own or their parents' income level. The interest cost of the loan is a small cost when compared with the enhanced income prospects that college training makes possible. The lengthy period allowed for repayment eases the burden of payments upon the borrower's income when he is just starting his career. The size of loan available to a student makes a genuine contribution to meeting the financial costs of attending college.

In his statement supporting his amendment, the Senator from Connecticut expressed his disapproval of the use

of loan funds by the parents and the students. He considered it to be unfair to ask the parents to incur an additional debt burden or the student to start his career after graduation saddled with thousands of dollars of debt.

The Senator's well-placed sympathies, however, distort the picture. The choice is at the margin. Should the student or his parents borrow an amount equal to the tax credit his amendment would provide? If the amount that would be borrowed were only equal to the tax credit his amendment would provide, the average student or his parent would borrow less than \$800 for a 4-year undergraduate degree, or a maximum of \$1,300 if the full tax credit could be taken. Is that too great a burden spread over 4 years? Are not the benefits which the student will gain in higher income for the remainder of his working life worth incurring a debt between \$800 and \$1,300?

Actually, I have heard it estimated that the difference between the earnings of a young man who drops out before finishing high school and the earnings of a young man who finishes high school, over a period of 40 years of productive endeavor, is \$160,000. I should think that the \$800 to \$1,300 that a person would borrow on the same basis would certainly be justified by the difference of \$160,000 in lifetime earnings.

The tax credit is an expensive device compared to the student loan program, as well as a less effective one. At the present time, the tax credit will cost about \$1 billion in foregone tax receipts, and the revenue loss will become greater as college enrollment increases in the future. The loan program is costless in the long run. The initial contribution to the loan fund will be repaid by the borrowers, and the losses from defaults undoubtedly will be made up by the interest payments on the loans. In effect, the fund will become self-sustaining.

The new student loan program is far more consistent with the traditions of our country than the tax credit amendment. It does not only provide the loans to all matriculated students on the basis of their ability to be accepted in a college of their choice.

It provides a mechanism at the disposal of the student and his family that assists them in meeting their own responsibilities and costs through simply leveling out and extending over a longer period of time the concentration of large payments that otherwise must be met in a brief 4-year period.

It provides a financial environment in which independence and self-reliance can be fostered.

It accomplishes these objectives without the indirect subsidy through tax relief to the upper half of the income distribution and without the accompanying shift of a larger share of the tax burden to all other taxpayers—of whatever level of income—that is the inevitable result of the Ribicoff tax credit amendment.

I trust that the Ribicoff amendment will be rejected. I could not think of a worse time to adopt it. It tends to discriminate in favor of those who enjoy

more income and whose sons are today exempt from the draft. It tends to favor those who in the years to come would enjoy far more income than other taxpayers who would be paying the taxes, while the favored individuals were exempt from a major portion of a tax which other citizens who have even greater needs in other respects, would be expected to shoulder.

While I have strong sympathy for those who wish to aid education, I point out that 2 years ago the entire Federal effort in the field of education was about \$4,750 million. Today the Federal effort is about \$10 billion annually, more than twice the amount of the effort that the Federal Government was making 2 years ago.

Furthermore, the direction in which the Federal Government has moved has been to help to provide jobs for those who would like to work their way through college, and those jobs are available. The Federal Government is helping to provide grants for those who themselves are not able to pay for a college education. The Federal program also provides loans to students who wish to go to college, so that they may borrow money to advance their college education. A college education is not denied today to anyone who has the ability to do good college work. Either he can work his way through college or obtain grants to see him through, or he can borrow money to obtain a college education that will make it possible for him to enjoy a better standard of living and to enjoy far more income than he would otherwise enjoy during the remainder of his productive life.

That is the direction in which we should be moving, rather than simply to provide what would start out as a billion-dollar tax advantage but would later become a multibillion-dollar tax advantage to people who today are already well able or are at least able to pay for the education of their children, when so many programs are available to those who have some need of them.

In the last analysis, it seems to make better sense that those who expect to enjoy higher income for the remainder of their lives as a result of college education should have to establish either that they have need of a Federal grant or are willing to work for it, or are willing to repay its cost, in order to enjoy the higher earnings that are available to them but are not available to taxpayers who do not have the same opportunity.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. SMATHERS. I feel certain that the Senator from Louisiana will remember when the junior Senator from Florida introduced a bill, many years ago, of the type of the amendment which has been offered by the distinguished Senator from Connecticut [Mr. Ribicoff]. I pursued this objective and idea for a number of years before I became convinced, as the Committee on Finance also became convinced, that that really was not the correct way to approach the problem of providing education for those

in our society who are unable to provide education for themselves or who are most in need of education.

I believe the Senator remembers that this particular measure was turned down by the Committee on Finance at least two or three times.

Mr. LONG of Louisiana. The Senator is correct.

Mr. SMATHERS. Is it not correct that Congress just recently passed the so-called modern GI Bill of Rights—which of course covers Vietnam—under which, for every month a young man serves in the Armed Forces of his country, the Federal Government will provide him with a minimum of \$100 a month for the purpose of obtaining an education?

Mr. LONG of Louisiana. The Senator is correct. That makes good sense, too. The measure passed unanimously. One reason that the measure did pass unanimously was that Congress recognized the obligation on the part of the Government to help provide an education for those who went the extra mile for their Nation and made that extra sacrifice.

The same thing does not apply to those who are being exempt from the draft so that they may pursue their college education.

Mr. SMATHERS. When it comes to trying to reward the young men who have recognized their responsibility to the Nation by wearing their country's uniform and serving in the Armed Forces, does it not seem to the distinguished Senator from Louisiana, the chairman of the committee, that we should reward those boys who have served our Nation and are in need of funds with which to start or to complete their education, rather than, as the Senator has pointed out, to encourage some young men to take advantage of a measure passed by Congress, such as the education bill offered by the Senator from Connecticut, so that they might thereby escape their responsibility to the Nation?

Mr. LONG of Louisiana. Mr. President, it almost escapes me to understand why, at a time when we have young men fighting and dying on the battlefields for their country—and the son of the distinguished Senator from Florida is fighting for our country right now—we should attempt to do something for those who prefer to finish their education before serving their country.

It seems passing strange to provide by law that at a time when some men are being asked to fight for their country, a man who has as much as \$20,000 income should be afforded a \$325 refund in taxes, which is what the tax credit would amount to. It is proposed by the Senator from Connecticut that this amount of refund be provided, to help such a man put his boy through college. That boy is being favored by being exempted from the draft so that he might go to college.

One who has that good fortune, if that is what he wants, should thank his merciful Lord that his boy is not making the sacrifices that others are making and have made with the 1st Marines, with

which the Senator from Florida served so ably during World War II.

Mr. SMATHERS. I thank the Senator. I totally agree that if we want to help educate—and we do—our young people and all who are in need, it would be much wiser to do it in the way Congress has already done it, rather than to widen what is really a discrimination gap by passing the amendment offered by the distinguished Senator from Connecticut.

The amendment of the Senator from Connecticut, if agreed to, would provide an additional shelter so that some boys might go to school and continue their education and never meet the responsibility which so many hundreds of thousands of young men are willing to meet in the interest of serving their Nation.

Mr. LONG of Louisiana. Mr. President, I can think of a thousand things as of now that should take precedence over providing a tax credit to a man who has an income of \$20,000 or \$25,000. The proposed tax credit would exceed \$300 per child, and would be granted to help the man put his children through college.

I suggest that that would wipe out all of the revenue that can be extended in the event that the Vietnam war continues for 8 or 10 years, as some people fear.

There is only about \$1,200 million of revenue that can be extended or continued in the event it is found necessary.

This is the type of measure that at best might be considered at a time when we have a budgetary surplus and no period of inflation, at a time when the Nation is in good condition. However, at the present time, I would say that before we start thinking in those terms, it might be well to determine whether the \$10,000 of so-called war risk which we provide for these boys who lose their lives is adequate, or whether the veterans' benefits provided for boys who lose their eyes or legs while fighting for their country is adequate. We should consider those things before we start to provide a completely unnecessary and unneeded benefit for those who are able to provide these things for themselves.

In the last analysis, I believe the Senator would agree that, even though \$7,500 or \$8,000 is not a great amount of money, it would not be asking much to ask a family to pay some interest on money in order to put a boy through school at a time when other boys are making sacrifices far beyond what that boy is expected to make today.

Mr. SMATHERS. Mr. President, I totally agree with the distinguished chairman of the committee. Under the amendment of the distinguished Senator from Connecticut, 62 percent of the benefits granted would go to those who have an average income of \$7,500 a year.

It seems to me that, as the Senator has pointed out, we are helping those who need help the least at a time when, in some respects, we are actually doing damage to the economy of our country. At the same time we are encouraging boys not to accept their responsibility. I believe that most of these boys would like to accept their responsibility and

put on the uniform of their country at a time when the country needs them and go out and help fight the battle in southeast Asia.

Mr. LONG of Louisiana. Mr. President, it seems to me that we are providing right now as much as we should provide for those who are able to provide for themselves. Frankly, at a time like this, I believe that it would be well for us to ask, as John F. Kennedy asked in his inaugural address, that they think, not in terms of what their country can do for them, but what they can do for their country.

Mr. SMATHERS. I think that is an excellent note on which to leave that argument.

Mr. LONG of Louisiana. Mr. President, the Senator from Hawaii wanted me to discuss briefly with him one item in the bill.

Mr. INOUE. Mr. President, the distinguished Senator, as chairman of the Committee on Finance, is saddled with the most thankless responsibility of raising funds in a time of need.

I know that many Senators are proposing amendments to the bill. However, I take this opportunity to commend the committee for what I consider to be a fine piece of work.

Many of us have received letters from automobile dealers throughout the United States. I am certain that the recommendation of the committee in this respect will meet with the approval of all automobile dealers.

I express my delight at this committee action and extend my commendation to the committee.

Mr. LONG of Louisiana. Mr. President, I thank the Senator. I believe that would amount to approximately \$23 per automobile.

It was the judgment of the committee that it was not necessary to collect that tax in order to make the other tax effective.

Mr. INOUE. Mr. President, I have here a letter from the Telephone Company of Hawaii which states that this would be the 11th time that Congress has voted to extend a telephone excise tax, and that the reimposition of the tax hits hardest the residential user, really 50 million households. It states that 20 percent of the households have incomes of less than \$3,000 annually, and that 53 percent have incomes of less than \$6,000 annually.

What would be the position of the Senator on an amendment that would exempt local telephone service from this reimposed tax?

Mr. LONG of Louisiana. Mr. President, that would cost about \$350 million, and out of the revenue of taxes being extended, that would account for about one-fourth of it. The amount that would be saved for each telephone user, may I say, would not be very great. It would be about 85 cents a month. The Government does need the revenue at this time. However, the Government recognizes the merit of the position of the Senator.

We have provided that, at the end of the 2-year period, the tax would go then to the point at which it would otherwise

have been in the event we had not found it necessary to continue the tax.

I do realize that the telephone is something of a necessity, but it is not as necessary as some other things.

It is not as necessary as food, clothing, or shelter. As taxes go, this tax is really not as burdensome as the usual sales tax, because it does not fall on something that is a necessity to the same extent that certain other things are.

That being the case, it is felt that, rather than impose a variety of taxes that would hit a number of different industries, from the industrial point of view, here is an industry that is entitled to make a fair return after taxes. While this is something of a burden on the product, it is a burden that the product has in the past carried very successfully, and the industry has been able to expand substantially in spite of it; and we propose, at the end of 2 years, that the tax should go down to the 2 percent that we had previously provided.

May I say to the Senator that although a number of independent companies—which include the smaller companies, who undoubtedly can make a strong case—have expressed some protest about the matter, approximately 80 percent of all telephones in the United States are owned by the American Telephone & Telegraph Co. and its subsidiaries; and that company, recognizing the facts of life, feels that the Government does need the revenue. It recognizes the problem, and it has not expressed itself or made an effort to oppose the continuation of this tax, which I feel is a matter of industrial statesmanship on the part of the company which possesses about 80 percent of the telephone instruments in this country.

So I say to the Senator that those companies will get their relief, and we do intend, at the end of the 2 years, that this tax be terminated, and that the tax will then be reduced to the 2 percent previously contemplated.

Mr. INOUE. I am happy to hear that.

In the past few days, I have received several letters inquiring as to why the Committee on Finance has not seriously considered raising tobacco and liquor taxes to meet the needs.

Mr. LONG of Louisiana. Those taxes are already at their wartime peaks. To increase those taxes would be a matter of raising them beyond any point they have ever previously reached.

While I find some appeal in the Senator's suggestion, particularly based on the health showing by the Surgeon General with regard to the study on cigarettes, it can be pointed out that a mere increase in the taxes does not appear to make people quit smoking cigarettes; they simply pay the tax and go ahead and smoke them. I would hope that perhaps by other measures we might discourage people from smoking cigarettes, but it does not seem that the tax is much of a deterrent, because in spite of the tremendous taxes which already exist on tobacco and alcohol, the consumption of those products continues to increase.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. MURPHY. The Senator's point in the present consideration is to raise income to the Government, not to deal with the health question.

I think the question raised by the Senator from Hawaii is a very good one, and I think possibly that our distinguished friend, the Senator from Louisiana, has helped make the point; because, if these are both luxuries, certainly not to be compared with the use of the telephone, and if increasing the cost does not act as a deterrent to consumption, and thus does no damage to the industries, I would think such taxes would be worthy of consideration.

Mr. LONG of Louisiana. Such taxes were considered. I point out that the taxes already are very heavy indeed. On liquor, for example, the last time I looked at it, the estimated cost of producing a gallon of whisky was about 90 cents, and the Federal tax alone was about \$9; so the tax is about 1,000 times the cost of production, and that is just the Federal tax. The States have taxes in addition to that. It is not a product that is lightly taxed.

THE GORE AMENDMENT

Mr. SMATHERS. Mr. President, I am opposed to the 2-year suspension of the investment credit proposed in the amendment sponsored by the senior Senator from Tennessee for a number of reasons.

In the field of investment incentives, as elsewhere, problems are the price of success.

As our economy heads into the sixth year of its phenomenal and sustained expansion, important developments are occurring: unemployment has dropped to less than 4 percent, the lowest rate in 9 years, and it is predicted that it will fall to 3½ percent or less in 1966; average hourly earnings in manufacturing have reached a record of \$2.67; industry is hiring additional workers to meet increased orders and shortages in manpower have appeared in several industries; investment has reached record levels.

In dealing with the problems we do not want to weaken our economy—and that is the serious mistake that would be made by those who would suspend the investment credit.

These are problems we have been waiting to encounter for nearly 10 years, as the President said.

Let us by all means deal with them—but in a way which will conserve the progress made in raising the level of expansion and modernization of our productive equipment.

We must remember that the investment credit is a sound long-range structural reform—not a countercyclical device.

One of the greatest problems which the Nation had to confront early in the 1960's was the grim fact that our plant and equipment expenditures had been pretty well stalled for a number of years.

In dollar amounts, business plant and equipment expenditures in 1960 were \$35.7 billion or about \$1¼ million less than in 1957. With the adoption of the investment credit and the new deprecia-

tion guidelines in 1962, investment for the first time crept slightly above the 1957 mark. As the investment credit and the generally improved climate for investment gradually made themselves felt, plant and equipment outlays rose to \$39.2 billion in 1963, \$44.9 billion in 1964, and \$51.8 billion in 1965. For 1966, the plant and equipment investment level is estimated at about \$59 billion.

We do not want to go back to the stagnation that these structural reforms to strengthen investment and modernization were designed to correct.

The investment credit was not adopted as a countercyclical stimulative device. Rather, it was designed as a basic long-range structural reform wholly apart from cyclical considerations. The Congress of the United States, in providing this basic reform, helped put American business on the same footing as its competitors throughout the world—competitors who receive favorable tax treatment, in many instances more favorable than ours, designed to encourage growth, efficiency, and productivity.

Mr. President, in connection with that statement, I ask unanimous consent to have printed in the RECORD at this point an article clipped from the Department of Commerce publication International, headlined "Britain Devises New System To Encourage Industrial Investment." The subheadline reads "Cash Grants To Replace Former Arrangement of Tax Allowances."

I shall not read the article, but it shows that what it is evident the British are endeavoring to do in order to meet their monetary and fiscal crisis is to encourage, through something in the nature of our investment credit, their industry to expand and do bigger things, with the result that there will be a greater supply of goods, to more adequately meet the growing demand for goods coming from their people.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BRITAIN DEVISES NEW SYSTEM TO ENCOURAGE INDUSTRIAL INVESTMENT—CASH GRANTS TO REPLACE FORMER ARRANGEMENT OF TAX ALLOWANCES

The British Government has announced a new system of encouraging industrial investment through payment of cash investment grants instead of the previous system of tax allowances.

The grants will be administered by the board of trade. Under the scheme, which will require legislation, cash grants of 20 percent will be made available for new plant and machinery (excluding vehicles, office equipment, and small items) in the manufacturing and extractive industries.

In the new development areas, which replace the previous development districts, the grant will be 40 percent. There will be no investment allowances or initial allowances on plant and machinery for which a grant is paid. However, industries and equipment, which are excluded from the grant system, will be permitted an initial tax allowance of 30 percent instead of the existing 10 percent. Industrial buildings will receive an initial tax allowance of 15 percent.

SPECIAL GRANTS

Special treatment will be accorded to computers and ships. Ships will receive a 20-percent grant, and the arrangement for free depreciation will continue. A 20-percent

grant will also be available for computers used for all industrial and commercial activities. In the development areas, the same rate of 20 percent will apply, as ships and computers will not be eligible for the special grants of 40 percent.

Vehicles and aircraft, which are not eligible for investment grants, will be permitted an initial allowance of 30 percent.

The United Kingdom has indicated that there would be no discrimination between domestic and foreign products eligible under the new scheme.

Mr. SMATHERS. When Congress took this important action in 1962, some of its critics said the investment credit will not last, business cannot count on it, it will be used as a control device. They pointed out, quite correctly, that investment in our complex modern economy must have continuity.

The investment credit has encouraged additions to productive capacity, continuing modernization, and deepening of the capital structure—which is an increased ratio of productive capital to workers. To suspend the investment credit now in the face of economic uncertainties arising from Vietnam would represent a backward step in the Nation's efforts to provide healthy growth, more jobs, and a stronger economy.

None of our actions in the area of tax law are immutable—all are subject to review and modification. But a long-range structural reform, such as the investment credit, should not now be converted into a temporary control device to deal with passing strains that are coincident with the hostilities in Vietnam.

Let us review a little of the legislative history. When the credit was under discussion in 1962, some said: Why use such a measure now when there is still slack in the economy? They argued that such a device could not be useful in encouraging investment and modernization as long as our capacity utilization rates were well below preferred levels. Supporters of the credit had to point out then that the fact that the investment credit was suggested at a time when we were in a recession period and that it was being adopted in a period of recovery did not mean that it was to be regarded as a countercyclical tool. Rather it was pointed out very clearly that it was intended to be a permanent part of the basic tax law in the sense that it was to become part of the underlying tax structure designed to invigorate the environment for investment. The major impact of the credit, it was recognized, would be felt as we moved along in our recovery to full employment and increased growth thereafter.

If we accepted the reasoning of the critics in 1962, we could not have had the credit since we were then in a recession period, and if we accept the views of the critics today, we would not have a credit because we are now in a period of strength and full utilization of capacity. In short, in the view of these critics we would not have an investment credit at any time.

No one can look around the world today and fail to recognize that tax policies designed to encourage growth and modernization are an integral part of the world scene. These tax systems all have

basic structural measures which create an environment favorable to the growth and modernization of industrial capacity.

If the idea is implanted that the investment credit is such a temporary on-and-off device, its future usefulness will be gravely impaired. If it cannot be counted on in the continuous forward planning of investment, it will cease to be a real source of strength. If business had to plan around temporary swings of such a control instrument, the credit would certainly have erratic and undesired effects. Investment would be speeded up by business artificially to try to get under the wire when it looked as though the credit was to be reduced. Investment would be slowed down to an unwarranted degree during temporary suspensions in the hope of getting the benefit of the credit at some later date.

The disruptive effects of an on-again off-again policy would be bad for business and bad for the economy.

For a number of reasons, the investment credit is not suitable as a short-range restraining measure.

For one thing, cash flow or revenue effects of the credit are delayed. The credit becomes available as the investment project is completed. As a matter of good faith and fairness, a suspension has to provide an exception for projects already underway or contracted for prior to the effective date. The amendment it is understood, excepts prior commitments, provided the equipment is installed within a year. This might well produce a disorderly rush to complete installations before the 1-year cutoff.

It is obvious that this would aggravate an already difficult situation. I am encouraged that those business executives who probably have not counted on expansion right away will make contracts for them right away. We would already see that otherwise the shortage of carpenters, electricians, plumbers, and others which we now have would grow even shorter and, consequently, the inflationary fires would begin to build up and take effect.

Mr. PROXMIRE. Mr. President, will the Senator from Florida yield for a question?

Mr. SMATHERS. I am glad to yield to the Senator from Wisconsin.

Mr. PROXMIRE. I should like to support the distinguished Senator from Florida. I do so as one who opposed the investment credit when it was up before. I voted against it. I believe the evidence has shown that investment credit has worked extremely well. It has helped greatly to reduce unemployment and also to expand the capacity of American industry, which is crucial if we are going to meet inflation. To meet additional demand on American industrial plant capacity must be increased.

I believe that one element which President Johnson rightly recognized is the importance of certainty to American business. Uncertainty seriously disturbs business. If Congress should now suspend or repeal this investment credit, the confusion, the concern about whether it would be reinstituted and when would have a long-term, adverse effect on business.

Furthermore, and this is the vital point, I believe, as the Senator from Florida has so well said, if investment credit were to be suspended now, the effect would not be now, when inflation may indeed be serious. This week Secretary of the Treasury Fowler has written me that in his judgment, suspension of the investment credit will not be felt for approximately 6 months after Congress acts. At the present time, the stock market is dropping, and dropping sharply. It has been going down for a matter of several weeks. This hardly suggests the responsible American investor anticipates galloping inflation. The last statistics we had on the consumer price index showed that it was stable for the month of February. The best evidence we can get is that the obligational authority in connection with the Vietnamese war has reached a peak and is likely to decline next year. The experience in the Korean war was that it was the rising obligational authority that pushed up prices. After the obligational authority began to drop, prices dropped also, and prices dropped in the face of rising war spending.

Tight money is beginning to have a serious effect in slowing down demand and reducing price pressure. It is retarding construction and postponing a great deal of economic activity which would otherwise be stimulated.

Altogether, I believe that the administration's tax package is just about right. For Congress to suspend an economic growth factor which has been as significant as investment credit could be a serious mistake. Although I still have some misgivings as to the equity of the measure, I believe that in general it has worked. It has been a measure which has helped to expand and reduce unemployment. I believe that it would have a most serious and adverse effect on business confidence if we should at this time, suspend investment credit.

Mr. SMATHERS. I thank the distinguished Senator from Wisconsin for his comments.

As a respected member of the Joint Economic Study Committee, I know that the Senator has had many witnesses before that committee, as to what this Nation should do with respect to its monetary fiscal program, in order to protect the integrity of our system. When the Senator from Wisconsin makes the statements he has just made, I know that they carry great weight, as I know they do with most other Senators.

This seems likely to result in uneconomic and wasteful actions to meet the deadline. The impact of the suspension in terms of both raising revenue and restraining the cash flow to investing business will therefore be delayed by a considerable period, reflecting the leadtime involved in most investment activity. The real impact of the suspension might not hit us for a year or so following the effective date of the suspension. Furthermore, leadtime in modern investment involves more than contractual commitments. In this connection, it should be pointed out that in taking action to suspend the credit, even if prior orders or contractual commitments were excepted, considerable injustice and dis-

ruption would be caused to businesses which have already gone ahead with "in-house design" and other preparatory activities for making new investments. Leadtime, viewed realistically, often involves various steps including extensive plant design carried out by the investing business itself. Suspending the credit on projects on which extensive preparatory work has been done may involve about the same losses or penalties to taxpayers as cancellation of an outstanding contract. For obvious reasons, however, it would be difficult to draft a suspension provision which would take care of investment already started in the sense described here.

In addition, the credit has been helpful in discouraging previous practices of repairing antiquated equipment to eke out its industrial life. Prior to the credit, taxpayers often preferred to spend money to keep the old machine going, partly because they could get current tax deductions for these outlays. The investment credit tipped the balance in favor of getting modern equipment. Suspension of the credit may send many businesses back to the uneconomic repair and maintenance practices so that their expenditures can be expended for tax purposes. This would not only be bad for our technological progress but also would involve demands on the economy and revenue decreases which would offset both the economic restraint and revenue contribution of suspending the credit.

Also, a point often overlooked is that suspension of the credit might prove to be most effective in curtailing the type of investment that makes the most anti-inflationary contribution. Suspension of the credit would operate most promptly and effectively on equipment which has a short leadtime between order and delivery and which bunches its contribution to production within a short period of time—that is, has a relatively short useful life. This type of equipment would help round out and increase productive capacity in the next year or two. On the other hand, the long leadtime equipment with a long useful life would be much less affected by suspension of the credit because completion could be scheduled 2 years or so hence, when the credit was to be restored.

Finally, suspension of the credit would create imbalance in the 1966 revenue program and apply too severe a restraint on investment. The program provided in the bill before the committee relies on restraint of corporate cash flow and liquidity to apply a moderate restraining factor on the economy. Of the \$4.8 billion revenue total for the fiscal year 1967, \$3.2 billion, or about two-thirds, is derived from the acceleration of corporate tax payments. This in itself will provide a moderate and salutary restraint on investment. The other increases in revenue affecting purchasing power generally will also operate to moderate expansive investment activity. If a suspension of the investment credit is added to the program, it will concentrate too much on the business sector and run the risk of slamming on the brakes too hard.

Moreover, the investment credit is focused on a single vital part of the

investment process—the creation of new, modern machinery and equipment. It does not apply to building construction—industrial, commercial, or residential—nor does it affect inventory accumulation or investment in trade receivables. In a situation where moderate restraint should be applied broadly and evenly, suspension of the investment credit narrows its impact to the machinery and equipment component of investment, the part which incidentally makes the most significant contribution to technological updating of our productive capacity and the part which can make the greatest contribution to avoiding inflation by expanding our capacity to meet increased demands.

One of the most important areas where the investment credit is needed is in helping our international competitive position and our balance of payments. One of the major considerations in the adoption of the investment credit was its usefulness in putting American business on a par with its international competitors, in markets at home and abroad and in encouraging domestic rather than foreign installations of equipment. It was recognized that the investment credit helps the balance of payments in two direct ways: First, it makes investment here in the United States more attractive; and second, it encourages modernization and cost cutting to strengthen our export position—including our defensive position vis-a-vis imports. Suspension or reduction of the investment credit in a world in which investment incentives are widely used in foreign tax systems would weaken our international competitive position.

We have made important progress toward achieving a balance in our international payments in the years since the credit was adopted. The deficit of about \$2.2 billion in our payment balance in 1962—both liquidity and official settlements basis—was reduced to \$1.2 billion—liquidity basis—and \$1.4 billion—official settlements basis—in 1965.

Suspension of the investment credit for even a 2-year period would have seriously undesirable effects at a critical time when Vietnam exchange requirements make it additionally important that we maintain and even strengthen our drive toward international payments equilibrium.

It is always more difficult to chart a policy course that avoids the dangers of overrestraint than one which crudely overreacts to the dangers of overheating. As the economy reaches the goal we have long sought of acceptably low levels of unemployment, high rates of capacity utilization, and a strong backlog of manufacturing orders, our approach to economic policy requires greater courage, greater subtlety, greater discernment, and indeed greater prudence than before. What is really needed is a prudent and balanced policy which calls for moderate restraint but preserves the enormous progress we have made toward the goal of full employment of both manpower and physical resources. In this situation, high priority should be attached to the creation of additional and more efficient capacity with which to meet the

combination of civilian and defense demands which have contributed to strains here and there on our resources. Every \$1 million of investment which we complete will create additional capacity next year and in years thereafter. Additional investment provides the base for growth which yields fiscal dividends on which we can count in future years.

We talk sometimes about trade-offs between jobs and prices, between guns and butter, between investment and consumption. Those who would suspend the investment credit have, in effect, concluded that the Nation's efforts to rebuild its productive capacity, to modernize its machinery, to recoup the ground lost during the stagnant years of the late 1950's should become the first economic sacrifice as we rechart our policy course in keeping with the current state of the economy. This is a choice which is unwise. Investment is the goose that lays the golden eggs. One of the great advantages that we now have and that we will continue to have in the period ahead is the additional expansion and modernization of our productive capacity now coming "on stream" and the continuing process of expansion and modernization that we are getting as a result of the basic improvement of the climate for investment that was obtained as a result of the investment credit and its companion measure the depreciation guidelines. We must be very careful not to adopt measures which will restrain or hold back the enlargement of our productive capacity and efficiency to meet growing requirements both for defense and civilian use.

Early in the 1960's, analyses made of the Nation's economic progress, both Government studies and private ones, paid increasing attention to the relationship between levels of investment and productive equipment and overall economic growth. These studies underlined the lagging ratio in the United States of investment in productive equipment to gross national product.

Investment in machinery and equipment in the United States during the decade of the fifties was equal to about 6 percent of the gross national product and this percentage had been steadily dropping in recent years. In West Germany it exceeded 11 percent, in Italy and France upward of 8 percent. Growth rates in terms of gross national product have followed a similar pattern: barely a 3-percent annual growth in GNP at constant prices of the United States during the 1950's but more than 7 percent for West Germany and 4 to 6 percent for a number of other major industrial countries of Western Europe. In 1960, investment in producers durable equipment amounting to \$30.3 billion were approximately 6 percent of our GNP, then \$503.8 billion. In the fourth quarter of 1965, some 5 years later, producers durable equipment expenditures amounted to \$47.6 billion or about 6.8 percent of a GNP level of \$697 billion. An increase in our investment in producers durable equipment from 6 percent to less than 7 percent of the GNP hardly seems the occasion to push the panic button.

In conclusion, I would like to point out that the senior Senator from Tennessee

has indicated that he has offered his amendment to conserve skilled manpower and to prevent investment from competing with the production of military hardware. As many analysts have observed, high rates of capital spending may be viewed with mixed feelings. Additions to capacity are a clear remedy for upward price pressures resulting from near-capacity operations. At the same time, of course, building of plant and equipment involves real as well as dollar costs; it puts some pressure on the available resources the economy offers for meeting demands for consumption and investment. On balance, however, in the present situation we should prefer continued high levels of investment, subject to the moderate restraining influence provided by the present bill. The additional capacity which current and prospective investments will bring into being in the near future will be as welcome as the capacity being brought on stream today as a result of the investments of 1964 and 1965. Capacity has not been overbuilt in relation to demand. The increase in overall capacity this year is no greater than the projected gains in overall output.

Mr. President, the present bill provides us with the checks and restraints we need to deal with any runaway investment boom, should it develop—and I must point out it has not.

The arguments for supporting this bill are based on the facts and data available, and they are grounded on logic and a realistic concern for a healthy and vigorous economy. I submit that they are compelling.

But the idea of singling out for abandonment the investment tax credit, which has been shown to encourage the one form of investment most likely to increase both capacity and efficiency, is not grounded on fact or logic. Nor can it be shown to be beneficial to our economy.

Therefore, it is my hope that the amendment offered by the distinguished Senator from Tennessee [Mr. GORE] will be substantially defeated.

ADJOURNMENT

Mr. SMATHERS. Mr. President, I move that the Senate adjourn in accordance with the previous order.

The motion was agreed to; and (at 5 o'clock and 22 minutes p.m.) the Senate adjourned, under the previous order, until tomorrow, Tuesday, March 8, 1966, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 7, 1966:

COMMISSION GENERAL FOR U.S. PARTICIPATION IN THE CANADIAN UNIVERSAL AND INTERNATIONAL EXHIBITION

STANLEY R. TUPPER, of Maine, to be Commissioner General for U.S. participation in the Canadian Universal and International Exhibition.

The following-named persons to be postmasters:

ALABAMA

Otis H. Moore, Jr., Sterrett, Ala., in place of B. V. White, retired.

DIGEST of Congressional Proceedings

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HIGHLIGHTS: See page 6

SENATE

1. MANPOWER. Both Houses received the President's manpower report in which he. Stated that farmworkers remain the victims of high unemployment and under-employment. Stated that the Rural Community Development Service will open up new opportunities for rural people and the proposed community development districts bill will bring greater planning resources to rural areas. Stated that efforts under the Public Works and Economic Development Act will be stepped up and that joint Federal-State efforts under the Appalachian Regional Commission are also being increased. Stated he was establishing an Office of Assistant

Secretary of Labor for Manpower. Stated he was requesting the President's Committee on Manpower to submit to him by July 1, 1966, a report on the recently announced coordination plan for all manpower activities of the Federal Government. Stated that we intend to have community action programs in 900 areas, urban and rural, throughout the U. S., and to operate 124 Job Corps urban and rural training centers, able to enroll approximately 45,000 men and women at any one time. Recommended that the minimum wage be increased and that coverage of the Fair Labor Standards Act be extended to additional workers. (H. Doc. 406) To H. Education and Labor and S. Labor and Public Welfare Committees. pp. 4987-90, 5096-5100

2. TAXATION. Continued debate on H. R. 12752, the proposed Tax Adjustment Act of 1966. pp. 5064-5, 5066-81
3. FLOOD CONTROL. Passed without amendment S. 2540, to authorize the conclusion of an agreement for the joint construction by the U. S. and Mexico of an international flood control project for the Tijuana River. pp. 4991
4. SMALL BUSINESS. Passed as reported S. 2729, to increase by \$125 million the ceiling on the Small Business Administration revolving fund. pp. 4991-3
5. SCHOOL MILK. Sen. Proxmire criticized this Department's "proposal to slash the special milk program for schoolchildren by 80 percent" and stated that administrative costs of the program under the proposal would be increased. p. 5000
6. TOBACCO. Sen. Neuberger criticized the "odd spectacle of the Department of Agriculture sponsoring a cigarette-promotion film entitled 'World of Pleasure,' for distribution abroad and within our own country," and inserted several items on the subject. pp. 5081-5
7. HIDE AND SKIN EXPORTS. Sen. Hruska protested the Administration's action of placing all exports of hides and skins under licensing control and stated that the purpose of this action is "clearly to break the price of hides." pp. 5031-2
8. NATIONAL PARKS. Sen. Metcalf inserted a resolution in support of his proposal to include additional lands in the proposed Redwood National Park, Calif. p. 5023
9. GRANTS-IN-AID. Sen. Javits stated that there are serious disproportions in the patterns of grants-in-aid in what should be urban-directed programs and inserted the results of a study he had undertaken on the matter. pp. 5011-8
10. FOREIGN TRADE. Sen. Javits criticized free-world shipping to North Vietnam and commended the State Department's actions in trying to halt such shipping. pp. 5007-10
11. CHILD NUTRITION. Received from this Department the proposed Child Nutrition Act of 1966; to Agriculture and Forestry Committee. p. 4993
12. STOCKPILING Received from GSA several proposed bills to authorize the disposal of materials from the national stockpile and the supplemental stockpile, including the disposal of cordage fiber (sisal) from the national stockpile; to Armed Services Committee. p. 4993

such license is exhibited to such manufacturer or dealer by the prospective purchaser."

In mailing the .38-caliber S. and W. Enfield Commando pistol to the fictitious "L. H. Oswald," the Tulsa firm completed the transaction without receiving a permit.

And New Jersey law requires anyone buying a gun to have such a license.

According to the Washington sources, the Treasury agents will instruct Imel to bring the case before a grand jury.

If convicted of violating the firearms law, the sources said, the Tulsa firm would face revocation of its license to sell guns.

The Treasury Department probe of P & S Sales started hours after the Call received the gun at its offices in Paterson, November 18.

Assistant Call Managing Editor Joseph J. McGovern sent for the weapon in the name of "L. H. Oswald" to demonstrate the ease with which unlicensed persons could get firearms through the mails.

The gun itself was turned over to the New Jersey State Police after a Call reporter delivered it to State Attorney General Arthur J. Sills.

[From the Paterson (N.J.) Morning Call, Dec. 10, 1965]

GUN-PROBE SENATORS SEEK GRAVES

PATERSON.—Mayor Frank X. Graves, Jr., awaits a subpoena from a congressional subcommittee investigating mail-order gun sales.

An aid to Senator THOMAS J. DODD, Democrat, Connecticut, head of the U.S. Senate Subcommittee on Juvenile Delinquency asked the mayor yesterday about the 40 mail-order weapons confiscated by police during the past few years. The Dodd committee will issue a subpoena to the mayor to hear how he bought a gun by mail.

Graves purchased a .22-caliber foreign-made pistol in the spring in a test case promoted by reporters from the Morning Call. He received the gun merely by sending a bank check and providing only his name and the city hall address.

The mayor said he would send those weapons which are no longer needed for evidence in court cases.

"We have about 40, but I don't know how many are no longer needed for trials or appeals," Graves said.

The weapons would be sent to Washington, D.C., by a uniformed police officer, Graves said. It would be at least 2 weeks before the collection could be prepared and checked out, he said.

[From the Paterson (N.J.) Morning Call, Dec. 13, 1965]

NEWSMEN TO TESTIFY IN GUN-SALE PROBE

Two staff members of the Morning Call have been subpoenaed to testify before a Passaic County grand jury Wednesday on the ease with which guns can be obtained from mail-order houses.

Assistant Managing Editor Joseph J. McGovern and Richard E. Benfield, staff writer, were expected to be questioned on how the Call obtained a .38-caliber revolver from a Tulsa, Okla., gun firm.

The weapon, an S. & W. Enfield Commando pistol, was ordered from P & S Sales Co., under the fictitious name of L. H. Oswald. The pistol was sent to the Paterson offices of the Call.

The mail-order firm completed the transaction without receiving a permit, required in New Jersey to purchase a firearm.

McGovern ordered the weapon from a company catalog. Benfield turned the weapon over to State Attorney General Arthur J. Sills hours after it was received November 18.

The purpose of the Call's ordering the gun

was to demonstrate the need for stricter enforcement of State and Federal laws governing the sale of firearms. The newspaper has also endorsed adoption of more rigid firearms legislation.

Treasury agents last week instituted action against P & S Sales on grounds it sent the weapon without demanding a permit from the potential purchaser. The case is in the hands of U.S. Attorney John Imel of Tulsa.

[From the Paterson (N.J.) Morning Call, Dec. 16, 1965]

EDITOR, REPORTER TESTIFY ON GUNS

An editor and a reporter of the Morning Call yesterday told a Passaic County grand jury investigating mail-order gun sales how the Call purchased a pistol by mail under the fictitious name "L. H. Oswald."

Joseph J. McGovern, assistant managing editor, and Richard Benfield, a Call reporter, were subpoenaed by the grand jury.

McGovern described how the order blank for the pistol was purposely filled out incorrectly, with 1966 dates which did not coincide with each other, to give the gun firm reasons to be suspicious.

No suspicions were aroused, however, and the company—the P & S Sales Co. of Tulsa, Okla.—sent the \$18.95 Smith & Wesson pistol.

Although permits required by the city of Paterson and the State of New Jersey were not forwarded to the gun firm, the pistol, similar in type to one that killed Dallas Patrolman J. D. Tippett, was sent to "L. H. Oswald."

Paterson Mayor Frank X. Graves, Jr., said recently the city police have an arsenal of more than 40 pistols, all purchased without permits, which have been confiscated in the last year.

Graves speculated that many of them were probably purchased by mail.

[From the Paterson (N.J.) Morning Call, Dec. 18, 1965]

GUN ADVOCATE SAYS LAWS NOW ENOUGH

WCBS-TV broadcast last month an editorial describing how the Morning Call purchased a mail-order pistol under the name "L. H. Oswald," with no permits and no questions asked. In its editorial, WCBS, called for Federal gun control legislation.

Last night, the station broadcast a rebuttal by Charles Dickey, director of the National Shooting Sports Foundation, Inc., in which Dickey said the Call's purchase shows enforcement of existing gun laws is needed, not new laws.

Dickey took issue specifically with a statement by Michael Keating, who broadcast the original editorial, that, "If you have a few dollars, you can easily purchase a deadly weapon, no matter who you are, how old you are, or what your intentions."

"This statement is in error," Dickey said. "There are laws to cover such purchases," he continued, citing sections of Federal and State statutes. Dickey said he agreed with a Call editorial that the stunt, as he called it, "should jar State and Federal authorities into strict enforcement of existing regulations."

"We certainly agree," Dickey said, "for here is a case where existing laws have not been enforced at all. This station (WCBS) implied there were no laws covering the transaction, and then went on to ask for more laws."

"This reveals how misleading the publicity of the antigun lobby has been. The laws are there, but they were not enforced."

Dickey concluded by saying the enforcement of existing laws should be given every consideration before more laws are passed. He urged all citizens to write to State and Federal Governments for copies of existing laws.

[From the Paterson (N.J.) Morning Call, Dec. 23, 1965]

JURY DROPS GUN PROBE

A Passaic County grand jury looking into the purchase by the Morning Call of a mail-order pistol, decided yesterday against taking action on the matter.

The weapon was purchased from P. and S. Sales Co., of Tulsa, Okla., under the fictitious name of "L. H. Oswald."

William K. Azar, confidential aid to County Prosecutor John G. Thavos, said control over sale of mail-order firearms was up to Federal officials and State Attorney General Arthur J. Sills.

"This case is in the same category as Mayor Graves' buying a gun and others' purchasing guns through the mail," he said.

The reference was to the purchase by Paterson Mayor Frank X. Graves, Jr., earlier in the year of another mail-order firearm. At the time, Graves said he ordered the weapon to demonstrate the ease with which guns could be purchased through the mails.

While Graves had a permit to carry a gun, Call assistant managing editor Joseph J. McGovern, who bought his weapon under the fictitious name of "Oswald," did not.

A permit is required before mail-order firms can legally send a firearm to a New Jersey resident.

Both McGovern and Richard E. Benfield, a Call staff writer, testified before the grand jury last week. They said the gun was ordered to demonstrate the need for tighter gun legislation and more rigorous enforcement of existing weapons laws.

[From the Paterson (N.J.) Morning Call, Dec. 27, 1965]

NO DIVERSION

The Passaic County Grand Jury has heard at first hand the story of this newspaper's purchase of a mail-order gun in the name of President Kennedy's assassin. The grand jury recognized it as the test of gun purchase controls which it was intended to be, and found no cause for action against those who conducted the test.

Needless to say, the grand jury was concerned about the ease with which a .38-caliber revolver was purchased from a Tulsa, Okla., mail-order house. There was no bother about the purchase permit required by New Jersey statute or the Federal law that directs compliance with such State statutes.

The grand jury quite correctly declined to create a diversion from the real and serious point of the purchase experiment, which is that somebody's not minding the store when it comes to enforcement of the New Jersey and Federal gun control regulations. Paradoxically, while the deadly .38-caliber revolver was being delivered without purchase permit to the fictitious L. H. Oswald in New Jersey, Attorney General Sills was out beating the drums for new gun control legislation.

The Morning Call's demonstration of the laxity in the traffic in firearms has been noted appreciatively in Washington, where stricter regulation of gun sales is under consideration. The coming session of Congress will be asked to act on firearms controls, and there, as the grand jury recognizes, is where the problem must be solved.

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Is there further morning business? If not, morning business is concluded.

TAX ADJUSTMENT ACT OF 1966

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that the unfinished business be laid before the Senate.

The ACTING PRESIDENT pro tempore. Without objection, the Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

The ACTING PRESIDENT pro tempore. In accordance with the unanimous-consent agreement, the 2 hours on the amendment are to be equally divided and controlled by the Senator from Louisiana [Mr. LONG] and the Senator from Tennessee [Mr. GORE].

Who yields time?

Mr. GORE. Madam President, I yield myself such time as I may need.

There is pending before the Senate an important issue: an amendment which would provide needed additional revenue for the Government, would do so within the guidelines of equity, and, importantly, so far as our present economic situation is concerned, would have an anti-inflationary effect.

The amendment proposes to suspend the 7 percent investment tax credit as a substitute for the excise tax increase on automobiles and telephone service.

Congress only last year determined upon a policy to eliminate from our tax structure the regressive excise tax forms. The senior Senator from Tennessee thought that a laudable objective and a wise and equitable policy. I am not aware of an equitable social policy involved in levying excise taxes which lie not alike upon rich and poor, but more heavily upon the poor.

There is certainly great need, I believe, to eliminate the investment credit. It was enacted for the purpose of stimulating the economy. It has provided stimulation for the economy, perhaps more than was needed. At any rate, the inflationary pressures in plant and equipment and in skilled manpower are flashing danger signals to us now. I should think that about the last thing a committee of economists would suggest now would be for a further artificial stimulation of the economy, particularly in the fields of plant and equipment; indeed, I read into the RECORD yesterday articles and statements by a number of eminent economists who recommend now that the investment credit be suspended or repealed.

This step would not be sufficient to solve our economic problems. It would not be sufficient to checkmate the inflationary pressures, but it would surely be a step in the right direction.

Therefore, Madam President, I suggest it as a substitute.

As I said earlier, it would provide additional revenue. It would provide more revenue in the present fiscal year than

the excise taxes proposed in the bill. It would provide about the same amount of revenue as the excise taxes during the next fiscal year, and a great deal more than the excise taxes in fiscal year 1969.

Therefore, it is more desirable from the standpoint of revenue. It is more desirable by the yardstick of equity and fairness. It is also desirable and needed for its anti-inflationary effect.

Because of these logical points, Madam President, I suggest the advisability of adoption of the pending amendment.

Mr. LONG of Louisiana. Madam President, there are a number of reasons why I believe it would be unfortunate, particularly at this time, for the Senate to vote to repeal the investment credit.

One point which does not relate to the merits of the amendment, but does relate to procedure, is that if this were going to be done, it would amount to increasing taxes on corporations by approximately \$1 billion annually.

In fairness to those corporations, they should have the right to expect to be heard by our committee and given the opportunity to make their case, if we really wish to vote such a heavy tax increase upon them.

The pending bill undertakes to raise approximately \$5 billion on a one-shot basis. Of that \$5 billion, approximately \$3.2 billion is to be raised by a speedup in the rate at which we collect taxes from corporations.

It is true that the argument can be made, it is merely a matter of making corporations pay more taxes currently than they are presently paying them; yet, the fact remains that for the Government to net that \$3,200 million, even on a one-shot basis, it would be necessary to extract that money in addition to the taxes which would otherwise have been paid, so that when we speed up collection of taxes, even on a one-shot basis, we would collect more money than if we simply let taxes be collected on the slower basis that they had been collected previously.

These corporations would be required to come up with the additional \$3,200 million, and they would have to carry the cost of the fighting in Vietnam and other costs of the Government, in the effort to come as nearly as possible to a balanced budget.

If we add the \$3,200 million that we are extracting from the corporations, to the \$1 billion which this amendment would take from the corporations, that would work out to \$4.2 billion to be taken from corporate profits after the \$5 billion which we hope to raise in the bill.

Madam President, I submit that that is a very heavy load to place upon corporations, if we are looking for a way out to meet our current situation, to take it out of the \$5 billion, to put \$4,200 million on the backs of the corporate taxpayers.

In addition to that, there is some question as to whether it would be good for the economy.

For example, it is contended that one reason we have been able to continue to have increases in wages without a substantial increase in prices has been that we have been able to continue to im-

prove plant and equipment and, thereby, to obtain more production by the application of the same amount of labor to the plant and equipment that we have.

In addition, we feel that this has made America more competitive in world markets and more efficient in doing so. It has also helped us to maintain our trade balance, to help balance our payments with foreign governments, and to help to ease the outflow of American gold.

In addition, there is severe doubt that business is really in very good shape to take this additional tax. For example, here is an article published in the Washington Post this morning pointing out what we know to be true, that the stock market has had its worst time since the assassination of President Kennedy during the past several days. The fact is, the article points out, that today the stock market took another nosedive. The Dow-Jones averages were off 14.58, which is the greatest decline since November 22, 1963.

There is just no doubt about it, if this additional \$1 billion of tax were to be levied upon corporations, it would do a great deal to further depress business conditions in this country.

It is also well to point out that today we have received notice that unemployment is lower now by another 10 percent. That takes it down from the 4 percent unemployment factor to about 3.7 percent.

As the Secretary of the Treasury pointed out, as labor becomes more and more in short supply, we will need these new machines, we will need these new plants if we are going to be able to produce the goods that make it possible for us to resist inflationary pressures.

For those reasons, Madam President, it would seem to me that we should not, at this time, deprive business of any tax credit. If this were to be done, I am sure there would be some effort to postpone the effective date, so that those who have already ordered equipment will be able to obtain delivery and to erect new plants already on order, prior to the effective date of the tax. While that would necessarily be done in justice and in fairness, it would also tend to defeat one of the purposes of the amendment; namely, to bring more revenue to the Government, because if we are going to exempt all equipment presently on order, that would mean 6 months to a year before we could even hope to obtain the full revenue benefit of that which the amendment would hope to accomplish.

It is true that a tax on telephones is and tends to be a tax that hits practically all the taxpayers. Many people regard the telephone as being something of a necessity nowadays. But I point out that business shoulders a major load in this bill, amounting to \$3.2 billion, so it can well be said that all the taxpayers should help carry the burden of the defense effort going on now.

The tax on the telephone represents one of only 85 cents for each telephone user. That tax is spread broadly over the whole country. I point out that is only about 20 percent of the revenue proposed to be raised by the bill. So the corpora-

tions are the ones which will have the big end of the tax load under this bill. I submit that to put practically all the load on them would be to go too far in levying the responsibility for raising revenues on a relatively select group.

Madam President, I ask unanimous consent that an article from this morning's Washington Post and one from the New York Times be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post, Mar. 8, 1966]

WORST BREAK SINCE KENNEDY DEATH: STOCKS BATTERED AGAIN—DOW INDEX DIVES 14.58

NEW YORK, March 7.—The stock market today took another nose dive as the retreat entered its fourth week. Trading was active.

The Dow-Jones industrial average fell 14.58 to 917.76, its sharpest loss since November 22, 1963, the day President Kennedy was assassinated, when the average lost 21.16.

Volume was 9,380,000 shares compared with 9,050,000 Friday.

The ticker tape was late briefly in the morning when the retreat began to gather steam but the tape was abreast of transactions for the rest of the session. Sharp losses were taken by some of the glamor stocks in color television, other electronics, aerospace and airlines. The pace of trading was such, however, that trading was orderly.

SOME BLUE CHIPS JOLTED

Zenith fell 12½ to 131½, Fairchild Camera 11½ to 165¼, Motorola 8¼ to 171¼ and Magnavox 4½ to 97.

Many of the leading blue chips were jolted severely, accounting for the large drop in the averages, but quite a few held their ground.

General Motors fell 2¼ to 95½, DuPont 4⅞ to 216½, Anaconda 3¼ to 84 and Kennecott 2¼ to 125¼.

On the other hand, Standard Oil (New Jersey) rose ⅛, Consolidated Edison ⅜, Alcoa ½, Atlantic Refining 1⅜ and Southern California Edison 1½.

Analysts said it was a continuation of long-term-profit taking plus a wait-and-see attitude by large investors who are unwilling to go back into the market until it seems clear that the worst is over.

As of today's close the Dow industrials were down 77.39 from their historic high this year of 995.15. This is still not as much as the virtual 100-point decline of last May-June which punctuated one of the great advances of history.

RALLY POINT PIERCED

The Dow industrials today cracked through the 925 level, which served as a rally point last week and was regarded as a possible support level.

Of 1413 issues traded, 1013 fell and 230 rose. New highs for 1965-66 totaled 18 and new lows 79.

The Associated Press average of 60 stocks fell 5.0 to 344.3 with industrials off 7.9, rails off 3.5 and utilities off 0.6. This equaled last Tuesday's decline which was the largest since November 22, 1963, when the average fell 7.2.

Standard & Poor's 500-stock index fell 1.20 to 88.04.

The factors which have been linked with the 3-week decline were still mentioned—tight money, fear of higher taxes and controls, the competition of high-yielding bonds and other securities with low-yielding blue-chip stocks. No particular new element was added today.

One big brokerage house advises its clients that the market was "oversold" and predicted a stabilizing phase during which there

would be considerable "bargain hunting" for the next uptrend.

Ten of the fifteen most active stocks fell, four rose and Reynolds Tobacco was unchanged.

SHORT-LIVED RALLY

American Motors seems heartened by the fact that Detroit Investor Robert B. Evans, who has taken a large position in A.M.C. stock, was made a director.

News from the White House that industry plans to increase its capital spending this year by 15½ to 16½ percent over 1965 accompanied a slight recovery in the market in early afternoon, but the improvement was shortlived and the list closed at its lows.

News of raised dividends, higher earnings, new products, and other normally bullish developments were largely ignored by the stocks concerned.

Prices declined on the American Stock Exchange. Volume was 3.28 million shares compared with 3.8 million yesterday. Pen-tron Electronics was active and up ¼ at 3⅞. Flying Tiger advanced 1⅜. Syntex fell 1¾. Western Equities 1⅞, Molybdenum 2⅞ and Eldo 1⅞.

Corporate bonds declined. U.S. Treasury bonds were stronger.

NEW DATA ALLAY INFLATION FEARS—EARLY MOVE FOR NEW TAX SEEMS UNLIKELY ON BASIS OF INDUSTRIAL SPENDING

(By Edwin L. Dale, Jr.)

WASHINGTON, March 7.—President Johnson issued new figures today on probable business spending this year on plant and equipment that appeared to rule out any early decision to ask Congress for an anti-inflation tax increase.

The President said the Government survey of plans for business investments, due late this week, was expected to show an increase this year "in the 15.5- to 16.5-percent range," or not much different from last year's increase. He pointed out that this was significantly less than the increase projected in a recent private survey by the Lionel D. Edie Co., which had raised considerable speculation that an early decision on a tax increase would be necessary.

A LETTER TO PATMAN

Business spending on plant and equipment is widely regarded as a key to inflationary pressure this year. The bigger such spending, the more inflationary strain is likely, particularly in such capital goods industries as machinery.

President Johnson gave his preview of the Government's figures in a letter to Representative WRIGHT PATMAN, Democrat, of Texas, who is chairman of the Joint Economic Committee. Mr. PATMAN had asked about the implications of the Lionel D. Edie survey for Government policy.

The President said his economic advisers believed that the Edie survey, which projected a 19-percent increase in plant and equipment spending this year, "substantially overstates the situation." In the important manufacturing sector in particular, the President said, the Government figure will be "far from the 32 percent predicted by Edie."

The President noted that the projected increase in the Government survey would be "comparable" to last year's 15.5 percent, and that last year's increase was accommodated "without excessive strain." He conceded, however, that "the economy is closer to full use of its resources this year."

The President concluded:

"If the final figures [meaning those due by the end of the week] show an increase in 1966 comparable to the 1965 increase, we must continue to keep an extremely close watch on economic developments. We must be prepared to act quickly in the field of taxation if such action appears necessary. In this connection, I am pleased to learn that

a subcommittee of your distinguished committee will be holding hearings later this month."

The hearings will explore what kind of tax increase would be best if one should become necessary. The President repeated today a statement in his economic report to Congress in January that "if quick action is ever needed, we should not have to begin a long debate on what the change in taxes should be."

The plant and equipment figures have been eagerly awaited as a signal of likely Government action. There is little doubt that if the increase had been as large as projected in the Edie survey, some if not all of the President's advisers would have considered this a signal of serious inflationary danger and would have recommended a tax increase.

The President said today that the Edie survey in the past "has often given a fairly reliable indication of business investment intentions." He pointed out, however, that the Government survey, made by the Commerce Department and the Securities and Exchange Commission, "has substantially broader coverage."

In the Senate today debate continued on the administration tax bill, involving chiefly a speedup in corporate and individual income tax collections and restoration of excise taxes on automobiles and telephone service that were reduced January 1.

Voting on key amendments was put off until tomorrow. The Senate adopted by voice vote an amendment by Senator RUSSELL B. LONG, Democrat, of Louisiana, affecting taxpayers who have small final settlements with the Government.

At present if a taxpayer owes \$1 or less, or is owed \$1 or less in refund, he is entitled to decline the payment or refund. The Long amendment would expand this to \$5.

Several million taxpayers would be affected.

ORDER OF BUSINESS

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that I may yield, without prejudice to my rights, to the Senator from Maryland [Mr. TYDINGS] for such time as he may require.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. How much time does the Senator from Maryland require?

Mr. TYDINGS. Madam President, it will take me about 2 minutes.

The ACTING PRESIDENT pro tempore. The Senator from Maryland.

APPOINTMENT OF ADDITIONAL CIRCUIT AND DISTRICT JUDGES

Mr. TYDINGS. Madam President, I ask the Chair to lay before the Senate the amendments of the House of Representatives to S. 1666.

The ACTING PRESIDENT pro tempore laid before the Senate the amendments of the House of Representatives to the bill (S. 1666) to provide for the appointment of additional circuit and district judges, and for other purposes, which were, on page 6, line 21, strike out "two," and insert "three"; on page 7, line 1, strike out "one hundred and twenty days", and insert "six months"; on page 7, after line 7, and three lines below "California:", strike out:

Central..... 12

And insert:

Central..... 13

And on page 8, one line below "New York:", strike out:

Western----- 4

And insert:

Western----- 3

Mr. TYDINGS. Madam President, I ask unanimous consent that the Senate concur in the House amendments.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. TYDINGS. Madam President, I am happy at this time that the distinguished Senator from Arkansas [Mr. McCLELLAN] is also on the floor, since he was so tremendously helpful to me in my capacity as floor manager of the bill last spring when it passed the Senate.

The bill passed the House without deleting a single Senate amendment. The only major change in the judgeship bill is that the House added one district judge for the Los Angeles area of California.

I think this bill will aid immeasurably in reducing the great backlog in the courts of appeals and the U.S. district courts throughout the country.

I wish to emphasize that I am happy that the distinguished Senator from Arkansas [Mr. McCLELLAN] is on the floor when I make this statement. I do not think we can continue to increase the number of judges every 4 years or so as the sole method of reducing the tremendous case backlog which is continually growing.

I think we shall have to look at other methods of dealing with the problem, including the possibility of adopting administrative measures to assist and improve the handling of cases, in order to have speedy and prompt justice.

One of the suggestions made to the Subcommittee on Improvements in Judicial Machinery of the Committee on the Judiciary is the appointment of an additional law clerk for the judges of the courts of appeals in order to increase the capacity of those judges to handle the growing caseload. The subcommittee will look into this proposal.

The Senator from Arkansas [Mr. McCLELLAN] is in a very important position, not only because of his membership on the Judiciary Committee, and not simply as chairman of the Government Operations Committee, but because he is the chairman of the Appropriations Subcommittee that handles appropriations for the judicial system of the United States.

I think this year and in the years to come we shall have to look into improving the efficiency of the administration of the Federal courts, and not merely add judges year after year, or every 4 years, as the case may be, for simply adding more and more judges is not a satisfactory solution to the caseload problem if the administration of our judicial system does not allow the most efficient utilization of the judicial manpower that we already have.

Mr. McCLELLAN. Madam President, will the Senator yield?

Mr. TYDINGS. I yield to the Senator from Arkansas.

Mr. McCLELLAN. I thank the Senator for yielding, and I appreciate the references to my interest in connection with the legislation and the general subject matter.

I am very glad that the amendments to the bill by the House are being accepted by the Senate, therefore avoiding the necessity of sending the bill to conference, where further delays may occur in the enactment of the bill.

I point out that the enactment of the bill is most timely because in certain circuits additional judges are urgently needed.

I wholeheartedly concur in the remarks of my distinguished friend from Maryland with respect to the improvement in judicial machinery as to the need for greater efficiency in the present judicial system as well as to meet the ever increasing case load that continues to come before our courts.

I think improvements can be made, and it is a matter which should receive, and it is receiving, attention. When we make those improvements, the necessity for additional judges will be diminished, although it will never be completely eliminated as long as we have a growing population.

As suggested by the distinguished Senator from Maryland, if we provide the improvement in the judicial machinery that is needed, instead of having a bill before us every 4 years to increase the number of judges throughout the country, it may suffice to have such a bill every 10 years.

I congratulate the distinguished Senator from Maryland for his work in this field and for having successfully processed and guided this bill through the legislative channels and to final passage in the Senate.

Mr. TYDINGS. I thank the distinguished Senator from Arkansas. His encouragement and guidance have been a great inspiration to me. I am delighted he is going to work with me to improve judicial administration.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. LONG of Louisiana. Madam President, I am prepared to yield back the remainder of my time if the sponsor of the pending amendment is disposed to do likewise.

Mr. GORE. Madam President, I ask unanimous consent to have printed in the RECORD an article that appeared in the Washington Post this morning, written by Joseph R. Slevin, and an article from today's Wall Street Journal.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post, Mar. 8, 1966]

FOWLER VERSUS ECONOMISTS: TAX DEBATE TO TURN ON SUSPENSION OF INVESTMENT CREDIT

(By Joseph R. Slevin)

The big tax fight of 1966 is going to be over the 7-percent investment credit that the Government adopted in 1962 to stimulate business purchases of capital goods.

Senator ALBERT GORE, Democrat, of Tennessee, will lead a drive to suspend the credit when the Senate votes on President Johnson's \$6 billion revenue-raising bill this week. The expectation is that he will lose this time but the battle will be renewed if Mr. Johnson decides to ask for an anti-inflationary tax boost in the spring.

Suspension of the tax credit is being urged by a large and growing group of professional economists. They are saying publicly—as well as privately to key Government officials—that withdrawing the special 7-percent incentive will be the simplest and most direct way of taking unwanted steam out of the booming U.S. economy.

BOOM POSES THREAT

There is general agreement that the United States is being threatened by a capital goods boom. The beauty of suspending the investment credit is that the action will discourage purchases of capital equipment and thus hit the boom at the exact point where the inflationary pressures are the heaviest.

Secretary of the Treasury Henry H. Fowler is adamantly opposing any change in the investment credit in his appearances before congressional committees.

Businessmen are making investment plans in the expectation that they will receive the credit and any modification will be a breach of faith, he argues.

The Government can suspend the credit only if it exempts projects that already have been started and that would be self-defeating, the Secretary maintains. He contends that the capital goods boom would continue for many months and that the exact time when the Government would want capital expenditures to rise strongly again.

ECONOMISTS DISAGREE

But the economists disagree vigorously.

Some maintain that no exemption is required. They say the Government often changes tax rates and there is no difference between suspending the investment credit and increasing the corporate or individual income tax rate. People are making plans in the expectation that those rates will remain unchanged just as much as businessmen are relying on the 7-percent credit, these economists say.

Many of them agree with Fowler that the exemption should be granted but disagree that the exemptions would destroy the effectiveness of the suspension.

There are a number of companies that will not start planned equal expansion programs if the credit is suspended, the economists contend. New orders for machinery will fall off quickly and the unwanted steam will be taken out of the capital goods industry, they assert.

These advocates of suspending the credit stress that the Government wants to reduce activity in the capital goods industry—not to halt it. Suspending the investment credit would cause the postponement of enough expansion plans to bring about the desired degree of restraint, the economists declare.

ISSUE IS COMPLEX

There is more to the dispute than an argument over how you treat businessmen or disagreement about the best way to fight inflation.

Many Democratic congressional critics opposed the incentive when it was granted and

believe deeply that it is a giveaway to business. Some very conservative Republicans object to it on the ground that the Government loses revenue that it can never recapture.

But Fowler and President Johnson are keenly aware that the investment credit now is highly prized by business and that any move to suspend the credit would endanger the good relations that Mr. Johnson assiduously has developed with the business community.

[From the Wall Street Journal, Mar. 8, 1966]
JOHNSON MOVES TO DISPUTE REPORTS OF INFLATIONARY CAPITAL OUTLAYS RISE—PLANT, EQUIPMENT SPENDING GAIN OF 15.5 TO 16.5 PERCENT SEEN IN 1966 BY FEDERAL SURVEY

WASHINGTON.—President Johnson hastily sought to knock down reports that capital outlays are soaring at a dangerously inflationary rate.

Disclosing the results of a still unpublished Government survey, the President said businessmen expect to increase plant and equipment spending this year 15.5 to 16.5 percent from last year's record of \$51.8 billion. The projected increase is only slightly steeper than the 15.5-percent gain of 1965 and is just about the same as the rate estimated by the President's Council of Economic Advisers in its January economic report.

Even so, Mr. Johnson warned that the level of expenditures projected by the survey requires Government policymakers to keep "an extremely close watch on economic developments." He again stressed the need for Congress to gear itself for fast action if a general tax increase is deemed necessary.

DISCLOSED IN LETTER TO REPRESENTATIVE PATMAN

The general findings of the Government survey, taken by the Commerce Department and the Securities and Exchange Commission, were disclosed by the President in a letter to Representative PATMAN, Democrat, of Texas, chairman of the House-Senate Joint Economic Committee. Mr. PATMAN had written a letter to the President last Saturday inquiring about a private survey showing that manufacturers—which include only part of all business—plan a 32-percent increase in capital outlays this year from 1965. That survey was conducted by Lionel D. Edie & Co. The White House made public the President's reply; the complete Commerce Department-SEC report is scheduled to be published later this week.

The President said:

"The Council of Economic Advisers believes the Edie survey substantially overstates the situation. The present expectation is that the Commerce-SEC survey will show an investment gain for 1966 up only slightly over the 1965 gain—in the 15.5- to 16.5-percent range.

"You recall that total plant and equipment expenditures increased by 15.5 percent in 1965. The machinery and construction industries were able to accommodate it without excessive strain. In manufacturing in particular, the Commerce-SEC survey figures are far from the 32 percent predicted by Edie. Of course, as your letter noted, the economy is closer to full use of its resources this year.

"If the final figures show an increase in 1966 comparable to the 1965 increase, we must continue to keep an extremely close watch on economic developments. We must be prepared to act quickly in the field of taxation if such action appears necessary."

In New York, Pierre A. Rinfret, chairman of Lionel D. Edie & Co., said "One doesn't debate with the President of the United States, but I would stick to our estimate."

He noted that Edie & Co.'s prediction of a 32-percent increase in capital outlays this year covers only manufacturing concerns, adding that its overall projection for both manufacturers and nonmanufacturers is 19 percent. He said this 19-percent figure was the one comparable to the Government's projection of a 15.5 to 16.5 percent gain this year.

Mr. Rinfret contended that "in periods of substantial capital outlays" Government surveys frequently underestimate capital expenditures. He said that in 1951, 1964 and 1965, for instance, Government projections fell about 4 percent short of the actual increase.

At this time last year, Mr. Rinfret said, Edie was predicting a 22-percent gain for manufacturers' capital outlays in 1965 and the Government was estimating a 16-percent increase; the actual gain turned out to be 21 percent, he added. Similarly, he contended, Edie's overall projection at this time last year was 15 percent and the Government's 12 percent; this overall gain turned out to be 15 percent, he said.

PLEASED ABOUT TAX HEARINGS

The President said that he is pleased that a subcommittee of the joint Economic Committee will hold hearings later this month on standby plans for an individual and corporate tax increase. The subcommittee, chaired by Representative GRIFFITHS, Democrat of Michigan, will solicit advice from economists and others on the detailed mechanics of a fast tax rise. Mr. Johnson said, "I shall watch your hearings with great interest."

In general, the President's discussion of the projected capital investment increase was noncommittal; he stopped short of declaring outright that the 15½- to 16½-percent advance would be too much. Thus, Mr. Johnson and his advisers seem determined to postpone awhile longer a decision on whether the economy will require tough anti-inflationary medicine in the form of higher taxes.

At stake immediately, however, in the question of possibly excessive capital spending is the fate of the 7-percent tax credits for new investments by businessmen. The administration is trying to save the credit from attacks on the Senate floor, mainly by Senator GORE, Democrat of Tennessee, who wants to suspend the availability of the investment credit for 2 years. This would deny businessmen an estimated \$1.2 billion of tax savings in the year starting July 1 alone.

This is about the same amount of added revenue that the Treasury would receive from the administration's proposed increases in excise-tax rates on autos and telephone service. The excise provisions are part of a \$4.8 billion revenue-raising bill passed by the House and currently being debated on the Senate floor. Senator GORE has offered an amendment that would suspend the investment credit in lieu of raising the excise taxes.

REASONS FOR CREDIT TERMED "OUTDATED"

In a lengthy speech yesterday, the Tennessee Democrat said the reasons for congressional approval of the investment credit in 1962 has become outdated in the current booming economy. "It seems to me that artificial stimulation of the economy is about the last thing we now need," he declared.

Senator GORE said he has heard a report that Representative PATMAN's Joint Economic Committee, in its forthcoming annual report, will recommend suspension of the investment credit. This panel makes economic studies but doesn't act on legislation. A joint committee staff member said the panel hasn't yet finished its final draft of recommendations, which are to be published later this month.

Treasury Secretary Fowler has been urging Congress to leave the investment credit alone on the ground it is a desirable part of the permanent tax law. The administration view was reflected in yesterday's Senate debate by Senator SMATHERS, Democrat, of Florida, who said: "To cut back the expansion of the American economy through a suspension of the investment tax credit would, it seems to me, seriously hamper the efforts of business to cut costs and avoid bottlenecks and production delays."

A vote of Senator GORE's amendment may come today.

Administration leaders seem more worried about an effort by Senator HARTKE, Democrat, of Indiana, and others to remove the telephone tax increase—and possibly the auto tax increase as well—without substituting other provisions. The administration has been lobbying hard in recent days to retain the excise-tax provisions, which only narrowly survived a fight on the House floor. Chairman LONG, Democrat, of Louisiana, of the Senate Finance Committee also has been trying to rally opposition against a proposal by Senator RIBICOFF, Democrat, of Connecticut, that would provide a tax credit for college education expenses.

The Senate yesterday approved one amendment to the tax bill that could save an estimated 5 million taxpayers a few dollars each. The amendment, sponsored by Senator LONG, would let a taxpayer skip a final settling-up payment to the Government if his wage withholding or estimated tax payments come within \$5 of his final liability. The taxpayer, however, would still be required to file a regular return. Currently, a taxpayer can skip any final payment if his withholding or estimated tax payments come within \$1 of the amount he owes.

PRESIDENT HAILED SEER'S 1964 DATA, PANS 1966 EFFORT

WASHINGTON.—The perils of forecasting economic developments were underlined by President Johnson's move yesterday to discount a Lionel D. Edie, Co., survey on capital outlays.

President Johnson quoted his economic advisers as saying that the Edie survey, which found manufacturers contemplating a 32-percent increase in capital spending this year, "substantially overstates the situation." But an earlier Edie survey that better served administration ends was embraced by the President.

Signing the massive tax-cut bill in February 1964, at a time when the Government was attempting to keep the economy expanding, Mr. Johnson remarked on television: "This afternoon in New York, a leading industrial economist, Mr. Pierre Rinfret, estimated that the tax reduction will materially stimulate a boom of capital-goods expenditures in the years 1964 and 1965. Mr. Rinfret predicts that capital expenditures in 1964 alone will be 20 percent higher than (in 1963)." Mr. Rinfret is chairman of Lionel D. Edie.

Commerce Department figures show that actual 1964 capital outlays exceeded the 1963 level by about 14.5 percent.

Mr. GORE. Madam President, I yield 2 minutes to the Senator from Wisconsin.

Mr. NELSON. Madam President, I support the amendment introduced by Senator GORE to suspend investment credit instead of reimposing certain excise taxes.

Last year the Congress, after many months of deliberation, acted to eliminate a number of discriminatory excise taxes. In introducing the Excise Tax Cut of 1965, President Johnson said:

The proposed program of excise tax cuts and revisions will spur growth and move us closer to full employment by removing an unnecessary drag on consumer and business purchasing power.

This was responsible legislation which I strongly supported.

The bill before us today, H.R. 12752, the Tax Adjustment Act of 1966, would reinstate certain of these excise taxes—those on telephone service and passenger automobiles—as one means to raise additional revenue to finance our military involvement in Vietnam.

The amendment introduced by Senator GORE provides a more practical and a more equitable means of increasing revenues. Instead of reimposing certain excise taxes, the amendment would suspend investment credit. This alternative procedure will provide more new revenue than restoring excise taxes and will have a greater effect in fighting inflation.

Since the two approaches—that of the administration and that of Senator GORE—would accomplish the same purpose, we can afford to compare the alternatives on an equity basis. And I do not think that there can be any argument in favor of reinstating the excise taxes if equity is to be considered. The two excise taxes which the bill would reinstate involve basic necessities in the lives of almost every American. An automobile and telephone service can hardly be considered luxuries. So, as was stated over and over again when the Senate was debating the excise tax cut last spring, the reimposition of these two taxes will hit hardest at those who can least afford to pay.

The whole purpose of the investment credit plan, enacted in 1962, was to stimulate business expansion at a time when we had serious unemployment and underutilization of our industrial plant. We can raise more revenue and spread the burden over a broad group without causing hardship to any one sector of the economy if we suspend investment credit.

I urge the Senate to adopt Senator GORE's amendment.

Mr. GORE. Madam President, I yield back the remainder of my time.

Mr. LONG of Louisiana. I yield back the remainder of my time.

Madam President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is ordered.

Mr. LONG of Louisiana. Madam President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Maryland [Mr. BREWSTER], the Senator from Nevada [Mr. CANNON], the Senator from Idaho

[Mr. CHURCH], the Senator from Arizona [Mr. HAYDEN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from South Dakota [Mr. McGOVERN], the Senator from Oregon [Mr. MORSE], the Senator from Utah [Mr. MOSS], the Senator from Maine [Mr. MUSKIE], and the Senator from New Jersey [Mr. WILLIAMS] are absent on official business.

I also announce that the Senator from Ohio [Mr. LAUSCHE] is necessarily absent.

I further announce that the Senator from New Hampshire [Mr. McINTYRE] is absent because of illness.

I further announce that, if present and voting, the Senator from Maryland [Mr. BREWSTER], the Senator from Massachusetts [Mr. KENNEDY], and the Senator from New Jersey [Mr. WILLIAMS] would each vote "nay."

I further announce that, if present and voting, the Senator from Oregon [Mr. MORSE] would vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The result was announced—yeas 10, nays 75, as follows:

[No. 44 Leg.]

YEAS—10

Bartlett
Burdick
Douglas
Gore

Gruening
Hart
Hartke
Nelson

Neuberger
Yarborough

NAYS—75

Aiken
Allott
Anderson
Bayh
Bennett
Bible
Boggs
Byrd, Va.
Byrd, W. Va.
Carlson
Case
Clark
Cooper
Cotton
Curtis
Dirksen
Dodd
Dominick
Eastland
Ellender
Ervin
Fannin
Fong
Fulbright
Harris

Hickenlooper
Hill
Holland
Hruska
Inouye
Jackson
Javits
Jordan, N.C.
Jordan, Idaho
Kennedy, N.Y.
Long, Mo.
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalfe
Mondale
Monroney
Montoya
Morton
Mundt
Murphy

Pastore
Pearson
Pell
Prouty
Proxmire
Randolph
Ribicoff
Robertson
Russell, S.C.
Russell, Ga.
Saltonstall
Scott
Simpson
Smathers
Smith
Sparkman
Stennis
Symington
Talmadge
Thurmond
Tower
Tydings
Williams, Del.
Young, N. Dak.
Young, Ohio

PRESENT—1

Miller

NOT VOTING—14

Bass
Brewster
Cannon
Church
Hayden

Kennedy, Mass.
Kuchel
Lausche
McGovern
McIntyre
Morse
Moss
Muskie
Williams, N.J.

So Mr. GORE's amendment was rejected.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment.

ADDITIONAL COSPONSORS, AMENDMENT NO. 495

Mr. PROUTY. Madam President, before calling up my amendment No. 495, I ask unanimous consent that the names of the distinguished Senator from Wyoming [Mr. SIMPSON] and the distinguished Senator from Indiana [Mr. HARTKE] be included as cosponsors.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

AMENDMENT NO. 495

Mr. PROUTY. Mr. President, I call up my amendment No. 495.

The PRESIDING OFFICER (Mr. BARTLETT in the chair). The amendment will be stated.

The LEGISLATIVE CLERK. The Senator from Vermont [Mr. PROUTY] offers an amendment identified as No. 495, as follows:

At the end of the bill, add the following:
"SEC. . (a) (1) Section 202 of the Social Security Act is amended by adding at the end thereof the following:

"Benefit payments to persons not otherwise entitled under this section

"(w) (1) Every individual who—

"(A) has attained age seventy, and

"(B) (i) is not and would not, upon filing application therefor, be entitled to any monthly benefits under any other subsection of this section for the month in which he attains such age or, if later, the month in which he files application under this subsection, or (ii) is entitled to monthly benefits under any other subsection of this section for such month, if the amount of such benefits (after application of subsection (q)) is less than the amount of the benefits payable under this subsection to individuals entitled to such benefits, and

"(C) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (i) a citizen of the United States or (ii) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"(D) has filed application for benefits under this subsection, shall be entitled to a benefit under this subsection for each month, beginning with the first month after September 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. Subject to paragraph (2), such individual's benefit for each month shall be equal to the first figure in column IV of the table in section 215(a).

"(2) The amount of the benefit to which an individual is entitled under this subsection for any month shall be equal to one-half of the amount provided under paragraph (1) if—

"(A) such individual is a married woman, and

"(B) if the husband of such individual is entitled, for such month, to benefits under this subsection."

"(2) The following provisions of section 202 of such Act are each amended by striking out 'or (h)' and inserting in lieu thereof '(h), or (w)':

"(A) subsection (d) (6) (A),

"(B) subsection (e) (3) (A),

"(C) subsection (f) (4) (A),

"(D) subsection (g) (3) (A), and

"(E) the first sentence of subsection (j) (1).

"(3) Section 202(h) (4) (A) of such Act is amended by striking out 'or (g)' and inserting in lieu thereof '(g), or (w)'."

"(4) Section 202(k) (2) (B) of such Act is amended by striking out 'preceding'.

"EFFECTIVE DATE

"(b) The amendments made by subsection (a) shall apply only in the case of monthly benefits under title II of the Social Security Act for months beginning after September 1966 based on applications filed on or after July 1, 1966, or the date of enactment of this Act, whichever is the earlier.

"(c) (1) Section 227 of the Social Security Act is repealed as of the close of September 1966.

"(2) Any individual, who (for the month of September 1966) is entitled to a monthly insurance benefit under section 202 of the Social Security Act by reason of the provisions of section 227 thereof, shall be deemed to have applied for benefits under section 202(w) of such Act, and all applications which are filed for monthly benefits under section 202 of such Act by reason of the provisions of section 227 and which are pending on the date of enactment of this Act shall be deemed to be applications for benefits under such section 202(w).

"REIMBURSEMENT OF TRUST FUNDS

"(d) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, and to the Federal Hospital Insurance Trust Fund, respectively, from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—

"(1) so much of any payments made or to be made during such fiscal year from such Fund with respect to individuals whose entitlement thereto is attributable to the provisions contained in section 202(w) of the Social Security Act,

"(2) the additional administrative expenses resulting, or expected to result, to such Fund on account of such payments, and

"(3) any loss in interest to such Fund resulting from the making of any such payments,

in order to place such Fund in the same position at the end of such fiscal year as that in which it would have been if the preceding subsections of this section had not been enacted."

Mr. PROUTY. Mr. President, I ask for the yeas and nays on my amendment. The yeas and nays were ordered.

Mr. PROUTY. Mr. President, I point out first that this amendment has been cosponsored by the distinguished Senator from Hawaii [Mr. FONG], the distinguished Senator from Idaho [Mr. JORDAN], the distinguished Senator from Pennsylvania [Mr. SCOTT], the distinguished Senator from New Hampshire [Mr. COTTON], the distinguished Senator from Kentucky [Mr. COOPER], the distinguished Senator from Alabama [Mr. SPARKMAN], the distinguished Senator from Colorado [Mr. ALLOTT], the distinguished Senator from Oregon [Mr. MORSE], the distinguished Senator from West Virginia [Mr. RANDOLPH], the distinguished Senator from North Dakota [Mr. YOUNG], the distinguished Senator from Alaska [Mr. GRUENING], the distinguished Senator from Wyoming [Mr. SIMPSON], and the distinguished Senator from Indiana [Mr. HARTKE].

Mr. President, this amendment responds to a great inequity in the present social security laws—an inequity which we tried, but failed, to abolish in the first session of the 89th Congress. It is an inequity caused by the nature of the social security system itself.

One and one-half million older Americans are not eligible to participate in social security.

Designed as a scheme of basic protection against want, the social security system has expanded its coverage over the years so that now over 90 percent of employed Americans benefit by its protective shield. Such near universal coverage has not always been the case.

Of the 1½ million Americans over age 65 not eligible for social security cover-

age, a great number are retirees from some of the most important productive or necessary occupations in American labor—teachers, firemen, policemen, and self-employed farmers. Many retired before their jobs were covered by the social security system. Many worked in our State or local governments, earning less than their fellow employees covered by social security.

For example, Mr. President, what is to become of those presently retired teachers who are not now eligible for social security? The plight of these important people was brought home to me recently at hearings before the Senate District Committee on legislation relating to teacher's retirement. Some District retired teachers who are not eligible for social security earned as little as \$1,200 per year during their working life. Now, without social security, they are asked to live out the twilight of their years on a pittance from the teacher's retirement fund.

Men and women who devoted 20 or more years of service to teaching the young of our Nation's Capital, earning \$1,200 per year in the process and denied participation in social security, now must live out the rest of their years on pensions, which they paid for out of their meager salaries, but which now yield less than welfare payments. Yes, Mr. President, we are denying social security benefits to those whose fully funded pension plans bring them less than they could receive on welfare. What justice is there for these people? What sense does the social security system make to them? What is being done to protect them against the ravages of poverty? The shocking answer is, "Nothing."

The situation in which these District of Columbia retired teachers find themselves is, I am afraid, typical of a great many personal deprivations across this great country. Who are the deprived? Those denied participation in social security during their productive years.

The situation of our self-employed farmers is no less severe. As you well know, it was not until more recent times that farmers could participate in social security programs. For those who time passed by—for those who grew old before protection was available—for those disabled under a system which recognized their plight too late, the social security system has been a bright dream in a picture book—looked at, read about but never available in times of need.

The Congress grappled with this question in 1965. To my mind we declared a major war on poverty among the aged, then equipped the army with popguns. The transitional insurance provisions of the Social Security Amendments of 1965, provide less than minimum benefits to 355,000 older Americans, those with at least three quarters of covered employment. We ignored the remaining 1.5 million without any covered employment. While setting out to alleviate long-term, hard-core poverty among our elderly poor, we enacted a short-term program with inadequate equipment and rushed to the aid of those in less severe distress.

Look closely at what we did in 1965.

The transitional insurance provisions of the 1965 amendments to the Social Security Act pay a monthly benefit of \$35—which is \$420 per year or \$1.15 per day—to those age 72 or over having at least three quarters of social security coverage. In other words, benefits less than the \$44 Congress considered to be the bare-bones minimum for the lowest earning beneficiary were paid to those who evidenced some ability to work in covered employment during the years immediately preceding their retirement.

Mr. President, for the 355,000 Americans over age 65 who had three quarters of social security coverage the transitional insurance provisions, meager as they were, held a promise of hope. But, the provisions were a sad disappointment to the many, many hundreds of thousands of older Americans who had no quarters of coverage because the system did not permit them to participate. They were a bitter pill to those whose hard and earnest labors during a lifetime of marginal existence on the farms and in the classrooms brought no lasting financial rewards. They brought great sorrow to those whose dimming eyes and weakened hearts will not reach the 72d year.

In contrast, Mr. President, in the same act which propounded this mythical solution to a very real problem are provisions establishing broad spectrum medical care for the elderly. I refer my colleagues to a provision of the medicare title which reflects the incongruity of the transitional insurance plan.

Section 103 of title I, "Health Insurance for the Aged and Medical Assistance," blankets in for medical care all those over age 65 or those who become age 65 before 1968, or those who have at least three quarters of coverage. As a result, any person 65 or over is eligible for hundreds of dollars of medical care without regard to social security coverage. But the same person would not be eligible for even the minimum cash benefit unless he had some covered employment.

This disparate approach to providing protection for the otherwise unprotected makes little sense. As written, the law launches an attack on the symptoms and byproducts of poverty among the elderly poor, but not the poverty itself. The 1½ million older Americans not eligible for cash benefits must wait until their poverty—their hunger—inadequate clothing and housing—cold stoves and heaters bring sickness, disease, and despair.

Poverty breeds sickness; among the elderly poor food, poor housing, poor clothing and poorly heated living quarters bring illness and disease, which in turn bring eligibility to participate in the medicare program under social security.

To those not eligible to participate—to those with no benefits at all, social security holds no bright ray of hope. There can be no promise of fulfillment in a program which absorbs an old person after all hope—all dignity—all health is gone.

Mr. President, I ask my colleagues to take a close look at the features of my amendment. Look at them in compari-

son to the transitional insurance provisions of the 1965 act and the medicare blanketing-in provisions.

First, I propose to blanket in all age 70 and above who are not otherwise eligible for social security benefits. These people would receive the minimum monthly benefits, which are now \$44 per month, without regard to covered employment. They would receive benefits to insure them against abject poverty in their later years.

Unlike the blanketing-in proposals of the 1965 act, people becoming 70 in all future years will be eligible for benefits under my amendment. Unlike the 1965 amendments, there is no provision in my amendment which phases out later beneficiaries unless they acquire some quarters of coverage before reaching age 70.

I think it is preposterous to expect a great many of our older Americans, who had never worked in covered employment in years preceding their retirement, to get a covered job in their 70th year. Nor do I think it is equitable to provide medical care to all those now 65 without regard to covered employment while denying such coverage to all becoming 65 after 1968.

My amendment assumes that if we blanket in all those reaching age 70 in 1966, we must, in fairness and equity, blanket in those reaching age 70 in later years. The blanketing-in provisions of present law penalize later retirees. It asks them to pay twice—once for those presently of retirement age—through general revenues—and again for their own subsequent retirement. Under present law those nearest retirement age or those who have reached 65 but not 72 may have to seek some covered employment so as to be eligible for benefits at age 72.

Mr. President, the question of blanketing in should always be considered in the light of the economic realities inherent in the program. As social security coverage approaches universality the cost of my amendment diminishes. As more and more people work in covered employment and as more categories of employment come within the scope of the social security system fewer and fewer older Americans will fall outside the shield of its protection. What I ask my colleagues to do today is to bring hope to those whose jobs were covered after they retired.

Mr. President, I think it is of particular importance to look at my amendment's funding technique in comparison to that of the transitional insurance.

The report of the Senate Finance Committee on the transitional insurance program points out how \$140 million was to be disbursed from the old age trust fund for benefits to the transitionally insured. It required substantial manipulation of the underlying tax base and scale of covered salaries to produce this \$140 million. As a net result future participants in the system and future employers must pay for benefits disbursed in earlier years. Each subsequent retiree, then, has paid a share of the retirement of the transitionally insured.

Blanketing in of all age 70 and above, providing a floor of protection against the needs of our elderly poor, is a responsibility properly belonging to the Nation as a whole.

While Federal moneys to fight the war on poverty came from the pocket of each taxpayer, the aged poor are ignored. While the elderly are expected to support this program, they reap few of its benefits. The war on poverty is being fought on other fronts. Older Americans are a lost battalion.

My amendment is a call to do battle against poverty among the aged. It is a battle belonging to each of us—a battle belonging to the present. My amendment funds the program entirely from general revenues and, accordingly, makes no impact whatsoever on the actuarial balance of the trust funds. In fact, by supplanting the transitional insurance program in existing law, my amendment enables further development of programs under the trust fund.

Mr. President, this brings me to a related question intimately connected with the amendment I now propose.

My amendment brings all those age 70 and above not otherwise eligible for social security under a program of minimum benefits. In the light of the cost of living and the great impact of ill health on the earning capacity of our older Americans, the present minimum of \$44 makes little or no sense. As you know, I have long pushed for an elevation of the minimum level of benefits to a flat \$70. If the system is to provide a basic floor of protection against want it must do more for the millions of Americans who, if covered at all, are only rewarded by a miserly scale of benefits.

A modest but adequate standard of living for older Americans, living in one of America's larger cities, as seen by the Bureau of Labor Statistics, is in the neighborhood of \$3,200. Under present benefit levels, \$44 per month nets a single retiree \$528 per year. The older couple receives annually only \$792 from social security. It is clear that social security at present minimum levels comes nowhere close to meeting the real needs of older couples. And, if social security is the aged couple's only income, there is no doubt they must live out their final years in abject poverty.

I am sorry my amendment is not broader of scope. I am sorry it brings 1½ million Americans under such a woefully inadequate scale of benefits. I am sorry it does not begin to provide real protection against want. But, it is a fundamental first step. It will provide bread and potatoes where before there were none.

My point, Mr. President, is this: While my amendment would have an impact on poverty among our elderly, it would only be the initial engagement in a war for meaningful, long-term protection against the devastating poverty that afflicts older America.

Unfortunately, Mr. President, my amendment is not a grandiose scheme to right all the wrongs that are done our elderly in the name of the war on poverty. It is a program that I consider

minimal if we are ever to come to grips with the pressing problems of poverty.

I have heard the cost of this program discussed at some length. But there are same legislative matters, which, because of reasons of fundamental fairness, justice, and equity require that cost be put in perspective in the light of the values to be attained.

At a time when the President has assured us that the budget deficit will be one of the smallest of recent years—at a time when great poverty haunts many hundreds of thousands of older Americans—at a time when other Federal programs spend billions of dollars for everything from sewers to space—there must be and there is a way to bring food to the mouths—clothing to the backs and hope to the hearts of our forgotten old people.

This amendment does not propose a novel scheme. The financing for the amendment already has a precedent in existing law.

The portent of the amendment is along the lines of the Canadian public pension program which puts a flat-rate pension of \$75 in the hand of every applicant over age 70.

Robert M. Clark, in his famous study, "Economic Security for the Aged in the United States and Canada," stated that in interviewing well over 300 persons in connection with this report:

I have never discussed social security with anyone so devoted to principles of individualism that he did not favor action at some level of government to provide basic minimum of social security for everyone. Nor have I encountered anyone so imbued with extreme collectivist doctrines that he denied the desirability of at least a minimum positive role for private initiative in providing for social security. I hasten to add that the concept of a basic minimum to be provided by the state varies all the way from an amount barely sufficient for survival to an amount that would provide a comfortable and financially carefree retirement.

The objectives of my amendment have been acclaimed by such diverse parties in interest as the U.S. Chamber of Commerce and the AFL-CIO. Every organization of older Americans that I have talked to unqualifiedly supports my amendment. In fact, last year I had an overwhelming number of letters suggesting that my amendment should be adopted before medicare—that in the scale of values my amendment was of more direct consequence and of more immediate benefit to those whose poverty afflictions would ultimately lead to ill health.

Why, in Vermont alone there are 2,500 people age 70 and over who are on public assistance but are not eligible to receive social security benefits. They receive not \$1 of the \$9.3 billion in cash benefits distributed nationally; nor do they receive a penny of the more than \$23 million distributed in Vermont alone.

My amendment is not novel—it is fundamental—it is necessary—it is long overdue.

Mr. President, there are more than 18 million people over age 65 in our country today. It is estimated that by the year 2000 one-third of our population

will be 65 and over. If 1960 income averages hold steady, nearly 4 percent or some 1,300,000 will have no money income whatsoever. Unless we now chart a course leading to meaningful programs of protection for older Americans we may come upon a period when our national resources must be largely directed toward correcting old wrongs.

My amendment, Mr. President, would, by blanketing in under social security those age 70 and above not otherwise eligible for benefits, put a paltry \$1.45 each day into the pocket of a needy older American. While the poverty program in some of our larger cities has been putting thousands of dollars into the hands of a chosen few—the party hacks who bleed the poor to enrich the party—it has declined to put \$1.45 into the hands of a needy old woman. While it has spent millions of dollars to set up new bureaucracies to tell the poor why they are poor, it has not had the courage, the boldness or the daring to tell older America why it does not provide \$1.45 for food and clothing.

That is the remarkable feature of the so-called war on poverty, Mr. President. It is fought on the wrong battlefields at the wrong time for the wrong reasons. While legions of our older Americans are losing daily battles against invading poverty, a well-oiled, well-heeled war machine wheels past them, showering promises on ears deafened by time, waving banners before eyes dimmed by despair.

The National Council of Senior Citizens reports that nearly 5.4 million persons age 65 and over live in poverty. The elderly constitute more than one-half of all the poor people living alone. Their poverty is often invisible—by no means are they all congregated in slums, but are found in the rooms of old homes, in mining and railroad towns and in shacks in rural areas.

The older they get the poorer they become—literally thousands of them fail to survive the rigors of our winters. In this supposedly civilized and enlightened age that is a timeless tragedy exceeding comprehension.

Leon Keyserling, the former Chairman of the Council of Economic Advisers, pointed out in a recent antipoverty conference in New York that of those receiving social security benefits, nearly 58 percent of the married couples, 58 percent of the unattached men, and 64 percent of the unattached women live in poverty. Among recipients of public assistance who do not receive old-age benefits under social security, almost 100 percent of the married couples age 65 and over live in poverty. Quoting Mr. Keyserling:

During the years since the original Social Security Act of 1935, the marshaling of the national conscience, the marshaling of our national resources, the marshaling of quantitative income help for the old has lagged terribly. It has lagged not only behind the cost of living, but also behind the productive resources of the Nation, behind our per capita worth, behind our capacity as distinguished from our obligation to provide a decent standard of living for our old people * * *. We have the economic and financial resources to do this, allowing for all other priorities of our national needs—and we should do it.

Mr. President, these elderly people if their health, strength and skills had permitted, would have come under social security had they been able to work a few more years. But when they retired from the work force, the act was not broad enough to provide them with even a small retirement increase. Today these men and women 70, 80, 90 years old must live from hand to mouth, in many cases not knowing where their next meal is coming from.

My amendment would come to grips with this problem completely by blanketing in once and for all all Americans over 70 years of age not otherwise eligible for benefits.

Mr. President, I feel that the Congress has been derelict in understanding and responding to the needs of these people. We have succeeded in setting our older people as a group apart from the mainstream of American life. The elderly are with us, but not of us.

They trouble us precisely because we are such an affluent society. They have become a standing embarrassment, a mute reproach to the social conscience of the Nation.

Mr. President, it is high time that we took action to correct this great inequity.

Mr. PASTORE. Mr. President, will the Senator from Vermont yield for a question?

Mr. PROUTY. I am glad to yield to the Senator from Rhode Island.

Mr. PASTORE. The Senator's amendment has great personal and human appeal, there is no question about it. There may be many citizens not covered by social security who do need some assistance once they have reached the age of 70. In our kind of society, it is hard for them to find gainful employment, or to obtain some income without becoming beggars so to speak. Therefore, the question I should like to ask the distinguished Senator is: How much will it cost?

Mr. PROUTY. I have the figures before me.

Mr. President, in response to the inquiry of my good friend, the Senator from Rhode Island [Mr. PASTORE], let me indicate the summary of the costs as I see them.

First. In 1965 Robert Myers, Social Security actuary, informed the Senate Finance Committee that there were 1.75 million Americans aged 65 and over not eligible for social security.

Second. The Task Force on Economic Growth and Opportunity of the United States Chamber of Commerce, the AFL-CIO, the National Council of Senior Citizens, the American Association of Retired Persons and the National Retired Teachers Association claim that this figure should be 1.5 million.

Third. On March 2 of this year Robert Myers maintained there were 1.8 million age 70 and above not eligible for social security.

Fourth. Using the figures cited by the chamber task force the cost of the Prouty amendment—not including an allowance for any reduction in State welfare payments which may take place—can reasonably be expected to be \$450 million.

Using the Myers figures, the net cost of my proposal would be \$760 million.

I have struck a median figure between the high and the low level estimates of my proposal. I think it can reasonably be expected not to exceed \$600 million.

I am sure that the labor organizations and the United States Chamber of Commerce task force have competent actuaries in a position to make reasonably good estimates.

Mr. PASTORE. I understand the Senator's amendment would be paid out of the trust fund, which would be reimbursed by the general treasury.

Mr. PROUTY. That is correct.

Mr. PASTORE. It is my understanding that we have a permanent debt ceiling of \$285 billion. I recall that we have lifted the debt ceiling many times and it is now set temporarily at \$324 billion. The national debt is \$323.7 billion. That means we have a margin of only about \$300 million.

If the amendment is adopted and the bill passes with the amendment, it will cost between \$450 and \$760 million.

Does the Senator make any provision for raising the ceiling of the debt limit?

Mr. PROUTY. Obviously the Senator from Vermont is not in a position to do that. I think there are many unnecessary items in the budget, and some that are much less important than taking care of 1½ million people who are in desperate need.

I do not know what is going to happen to the debt ceiling. If the deficit is held to what it is estimated to be, we may not have a problem.

Mr. PASTORE. But the Senator realizes that we have passed a bill providing for expenditures of \$4.8 billion in order to carry out our obligation and commitment in Vietnam. It is because of that commitment and a hesitancy to raise the debt at this time that the administration is asking for money to pay for that obligation. Yet the Senator's amendment seeks to increase the debt by \$450 to \$760 million.

What the Senator from Rhode Island would like to have answered at this juncture is how we are going to cut taxes or give greater allowances at a time when we are trying to have a tax adjustment in order to meet our commitment in Vietnam.

I wonder if the Senator from Vermont can inform us how we can have our cake and eat it, too. That is what it amounts to.

Mr. PROUTY. I think taking care of a million and a half elderly citizens, 70 years of age and over, who are in desperate need, is entitled to a high priority; it is a very important consideration.

Let me refer to one of thousands of letters I have received over the past years. This one comes from the La Crosse Retired Teachers Association in Wisconsin. A study conducted by the association shows that 500 retired teachers receive less than \$25 a month, while 637 receive \$50 a month, and none of these 1,100 retired teachers was eligible for social security.

I have many others that I shall put in the RECORD, but that is typical.

Mr. PASTORE. May I say to the Senator, unless a motion to table is made,

that I am looking rather sympathetically at the amendment, because if the Senator from Vermont or any Senator on the other side of the aisle is going to be Santa Claus, I would like to consider these people in my State, too; but if we are to begin to live up to our responsibilities, we had better act in a responsible way.

Such an important measure should have the benefit of committee consideration and calm judgment. These older people will be hurt by any quick rejection of their cause in a hasty floor discussion. They will be hurt even more by an attempt at an empty gift gesture with no practical money source to make it good.

It is not logical or helpful to tie their case with its considerable cost to a bill intended to increase the Government's income for Vietnam.

I shall vote to table the amendment although my heart will not be in it—for I favor a practical approach to the problem of their need.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. PROUTY. I yield to the Senator from Oregon.

Mr. MORSE. Mr. President, the amendment of the Senator from Vermont [Mr. PROUTY] provides long delayed justice to the individuals who, by various chances of working conditions, have reached the age of 70 without an entitlement to social security coverage. The cost of furnishing them coverage would come out of General Treasury funds, under this amendment.

In my opinion, it is only a matter of time before this measure is enacted, and I only hope it will be now, rather than later.

It provides the "70 and over" age group with only the minimum coverage. But it seeks to correct the gaps in the law and in the circumstances of individuals whereby the intended universality of social security has not been achieved.

These people are dying by the day, week, and month. I think any further delay is going to continue to work an injustice on these citizens.

I warmly commend the Senator from Vermont for offering the amendment. I am pleased to be a cosponsor, to speak for it, and to vote for it.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. PROUTY. I yield to the Senator from New Hampshire.

Mr. COTTON. Mr. President, I want to compliment the Senator from Vermont, not only for offering this amendment, but for the very masterful way in which he has marshaled the facts concerning the need for it.

I am a cosponsor of the amendment. I have long been associated with the Senator from Vermont in his efforts to secure help for these very people, those who are under social security, who are receiving a minimum amount, and those not under social security.

With all the benefits and alleged benefits being spread around this country, it is inconceivable that we should not do something to right the wrong in the case of this group.

I am very happy to be joining the Senator from Vermont in fighting for this very necessary and worthy amendment.

Mr. PROUTY. I appreciate what the Senator has said. I recall last year he voted twice not only in support of an amendment similar to the pending amendment, but also to increase the minimum payments for social security beneficiaries. I appreciate the Senator's help. I know his support is going to add luster to this amendment.

Mr. LONG of Louisiana. Mr. President, this amendment is a social security amendment. It will cost \$790 million. The Government needs revenue. We are trying to come as close to balancing the budget as we can. If this amendment is adopted, it will put the budget still further out of balance.

The amendment would provide a windfall in many State welfare programs, because a large portion of the people who need this help are already covered by the State welfare programs which are already matched by Federal funds.

With the Federal Government running a deficit, and the Federal Government being \$320 billion in debt, it does not seem appropriate to put the Federal Government still deeper into debt.

Some of the States operate on a surplus. The State of Louisiana would not object to having a windfall, but the constitution of the State of Louisiana requires it to float a bond issue and borrow if it is going to have a deficit.

The State of Virginia, also, is not permitted to operate on a deficit. I see in the Chamber the Senator from Virginia [Mr. BYRD]. He was a State legislator and he knows that the State of Virginia does not operate on a deficit. They have no debt. Imagine that. Under this amendment it is proposed that we put the Federal Government deeper in debt by going to the aid of State budgets, when some of the States do not have a debt at all.

I have sympathy for helping the aged, and there are all sorts of things we can do for the aged. We did a lot last year. The social security and medicare bills we passed last year cost the Government several billion a year. Most of that would go to the aged and add to the cost of the social security increase.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Florida.

Mr. SMATHERS. Is it not a fact that one of the worst fallacies in the area of this particular proposal is that of the roughly 1,800,000 people who would be covered under the amendment there are many hundreds of thousands who are already retired on a military retirement, a Federal retirement, or some private company retirement, and they are not asking for help? Some of these are actually quite well-to-do people and yet this is going to give them \$44 a month and their spouses \$22 in addition. They do not need it or want it. The other 1,100,000 who would be benefited by this particular amendment offered by the

Senator from Vermont, are under the old age assistance program. The State legislatures in each of these States would have to meet and devise a suitable means test to determine whether or not they are going to have this increase permitted because it may be, as the Senator from Louisiana pointed out, that the States would do nothing and the Federal Government would do all of it.

It would take at least a year and a half to get underway and cover people who do not need or have asked to be covered. It throws us into debt more deeply than we are now.

Here is a measure to meet the present cost of Vietnam and what are we doing but adding an amendment that will have a total cumulative 5-year cost of \$3.4 billion. That does not make sense.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. If I may continue for a moment, I will yield to the Senator from Vermont.

In the State of Louisiana, we have a popular Governor who ran for office and committed himself to pay raises for schoolteachers. Ever since then the administration has been trying to find enough money to meet that commitment. They have found financing for part of it but not all of it. If we were to give them an additional amount from the Federal Government they could say, "Let's put that into the schoolteacher pay raise."

In that event this measure would not be for the old people but for the schoolteacher pay raise. They will say, "The Federal Government took these people off of our hands. We will give money we saved to the schoolteachers." It would not be the aged who would benefit but the schoolteachers.

Approximately 1.8 million persons would be blanketed in under this proposal.

Of this group, about 1 million are estimated to already be receiving old-age assistance from the States. This amendment would replace State funds now received by the needy and they would receive the check instead from the Federal Government.

The increased benefits would go to those who least need it—not those on welfare, but to the well-to-do who are not on welfare. They do not need it nor do they expect it. It would be foolish to spend the money in this fashion, especially when the Federal Government is running a deficit.

The proposal is arbitrary because there is no justification for selecting the age of 70 as the starting point. Why not the age of 68 or the age of 66? If a person were 68 or 66 years of age he might need the money more than a person a year or two older who is well off financially. The selection of age in this fashion would invite further reduction to perhaps 65.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I will yield in just a moment.

Last year Congress provided increased benefits for public assistance as well as designing a new program to allow greater

Federal participation in the medical assistance programs of the States. Further, the medicare programs afforded hospital and medical benefits to all our elderly heretofore unprotected against medical costs. All of these programs allow our elderly to use previously unavailable funds and have greater purchasing power for nonmedical necessities.

The amendment is a crude way of getting Federal general fund revenue for the aged. It would merely replace Federal dollars for the State dollars going to persons on old-age assistance, with no assured increase in payments for the individual recipient. The substitution of Federal funds will enable the State to merely pocket the saving and then the State is free to spend it for any purpose, and the needy aged may not be the advantaged group. A straight increase in the old-age assistance matching formula would be a much more effective conduit of general revenue funds to the needy aged and it would avoid the windfall payments to the States who are well able to meet their own requirements.

I submit that the Committee on Finance has not ignored the needs of the aged in this country. We brought before the Senate last year, and I am sure we will again this year, measures to help provide additional benefits to the aged. The social security bill last year increased the cost to the Government by over \$7 billion a year. Most of that \$7 billion was for the benefit of the aged. We will take a look at our program sometime during the year, and as we study the figures, and the measures available, and the various services where we could better provide for the aged, we will recommend to the Senate what we believe would be the best program to be worked out after.

There are untold numbers of provisions that can be voted for each year by those who wish to benefit the aged. However, I do not think that it should be added to this revenue-raising bill.

I have seen many suggestions, all containing varying degrees of merit which would give benefits of one kind or another to the aged.

I believe that the Senate would be better advised to study all of these proposals and suggestions and at least let the Department of Health, Education, and Welfare recommend those that they think we can afford at this time.

I yield to the Senator from Vermont.

Mr. PROUTY. Mr. President, first I recognize the responsibility of the distinguished Senator from Louisiana who opposed this legislation. Regardless of how he might feel about his job, as chairman of the committee, he is the spokesman for the administration. When I refer to the Senator's opposition, I am not thinking of him as an individual. I know that when a similar amendment was introduced last year the Senator gave a great deal of time and thought to it. I appreciated that very much.

We have to assume, I think, that he is speaking for the administration. It is his responsibility to do that when he opposes this amendment or those similar to it.

Mr. LONG of Louisiana. May I say to the Senator that I am not speaking for the administration. I have not checked as to the Department of Health, Education, and Welfare or the Treasury Department's view. I would assume that the Treasury Department does not want it on this revenue-raising bill. It defeats the purpose of the bill.

The purpose of the bill is to seek to raise close to \$5 billion to help balance the budget and to pay the extraordinary costs imposed on us because we have a war going on in Vietnam. What we are supposed to be doing today is raising revenue, not spending it.

Mr. PROUTY. Mr. President, will the Senator yield further?

Mr. LONG of Louisiana. I yield.

Mr. PROUTY. In view of the fact that I and other Senators have sponsored legislation similar to this over the last 4 years, and no hearings have ever been held by the Senate Finance Committee, I think it is logical to assume that the administration is strongly opposed to legislation of this nature. I shall place in the RECORD, at the proper time, a great many figures on this subject; but I invite the Senator's attention to the 1965 amendments to the Social Security Act, which provide incentives and penalties for certain reductions in State public assistance programs resulting from amendments to the Social Security Act. I shall place them in the RECORD in memorandum form.

However, the Senator from Louisiana well knows that if a State reduces its old-age assistance because of an increase in social security payments, it proportionately loses some of the Federal grant unless that money is used for some other State public assistance program, such as aid to the blind, aid to dependent children, and similar programs. Is it not accurate then to say that in such a situation my amendment has positive benefits?

A substantial number of States have already taken advantage of the voluntary exemption up to \$5. I hope others will do so.

Mr. LONG of Louisiana. From my point of view, that is one more thing that is wrong with the amendment. It should not give States windfalls in their budgets, it seems to me that there is no reason to enable them to reduce taxes while the Federal Government is increasing its taxes.

Mr. PROUTY. I shall also place in the RECORD, in the form of a memorandum, the 1965 actuarial report of the Civil Service Commission, which makes some startling observations.

To those who would not like to see my amendment apply to recipients of Federal pensions I would point out that of the more than 200,000 surviving widows and children of civil service retirees, 38 percent receive less than \$50 a month; 79 percent receive less than \$100 a month; 93 percent receive less than \$150 a month. Ninety-nine percent of all surviving widows and children receive less than the so-called poverty level of \$3,000 per year. Of the 170-some thousand widows on the civil service retirement rolls as of June 30, 1965, the aver-

age age was 65.8, the average annuity a meager \$80 per month.

The situation of surviving widows and children is not necessarily the most desperate. Look at the unfortunate figures relating to employee annuitants.

Four hundred forty-nine thousand and seven hundred receive less than \$50 a month; 126,100 receive less than \$100; 214,300 receive less than \$150 per month; 307,600 receive less than \$200. Viewing the so-called poverty level as \$250 per month, 377,500 civil service employee annuitants out of a grand total of 508,500 receive less than poverty-scale annuities.

That poverty scale was established by this administration, which apparently is overwhelmingly opposed to the adoption of this amendment.

Mr. President, alarmingly enough, nearly 74 percent of all civil service employee annuitants receive less than the magical poverty level.

So let him who sees injustice, in including Federal pensioners in my bill come forward and identify himself.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont.

Mr. LONG of Louisiana. Mr. President, I do not desire to deter Senators from making speeches on the amendment. If any Senator desires to discuss the amendment further, I shall yield for that purpose. However, unless some Senator desires to discuss it, I am prepared to move to table the amendment on the theory that it is a social security amendment, which more appropriately should be attached to a social security measure than to the revenue-raising bill now before the Senate.

Mr. PROUTY. I understand what the Senator has in mind. Unless other Senators wish to speak at this time, I should like to have a live quorum. Following the quorum call, I should like to be permitted to speak briefly, after which I shall be prepared to vote.

Mr. LONG of Louisiana. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 45 Leg.]

Alken	Hartke	Nelson
Allott	Hickenlooper	Neuberger
Anderson	Hill	Pastore
Bartlett	Holland	Pearson
Bayh	Hruska	Pell
Bennett	Inouye	Prouty
Bible	Jackson	Proxmire
Boggs	Javits	Randolph
Brewster	Jordan, N.C.	Ribicoff
Burdick	Jordan, Idaho	Robertson
Byrd, Va.	Kennedy, Mass.	Russell, S.C.
Byrd, W. Va.	Kennedy, N.Y.	Russell, Ga.
Carlson	Long, Mo.	Saltonstall
Case	Long, La.	Scott
Clark	Magnuson	Simpson
Cooper	Mansfield	Smathers
Cotton	McCarthy	Smith
Curtis	McClellan	Sparkman
Dirksen	McGee	Stennis
Dominick	McIntyre	Symington
Douglas	McNamara	Talmadge
Eastland	Metcalf	Thurmond
Ellender	Miller	Tower
Ervin	Mondale	Tydings
Fannin	Monroney	Williams, N.J.
Fong	Montoya	Williams, Del.
Gore	Morse	Yarborough
Gruening	Morton	Young, N. Dak.
Harris	Mundt	Young, Ohio
Hart	Murphy	

The PRESIDING OFFICER (Mr. BARTLETT in the chair). A quorum is present.

Mr. PROUTY. Mr. President, I point out that at the appropriate time, a motion will be made to table my amendment. I wish to make it very clear, particularly to the 1,500,000 elderly citizens, 70 years of age or over in this country who would benefit under this amendment, that a vote for a motion to table is a vote against the amendment. I repeat, a vote for a motion to table is a vote against the amendment.

I understand some of these elderly people, or some of their representatives, are in the gallery. I want them to report that to the people they represent: that a vote to table this amendment is a vote against a meaningful program of benefits for older Americans and, in my judgment, is a vote against 1,500,000 elderly citizens in this country who need help desperately at this time. So let there be no mistake about that.

I think it is unfortunate, Mr. President, that all of a sudden, the Senate of the United States is urged not to stand up and vote on the merits of this amendment. It seems to me that we should have sufficient courage to vote "Yes" or "No" on the merits of the amendment, and not on a procedural motion. And so again, Mr. President, let me make it very plain to the old folks of this country that a vote to table this amendment is a vote against the amendment.

Mr. President, after making the parliamentary situation clear, I should like to proceed to explain briefly what my amendment purports to do.

There are 1.5 million Americans age 70 and above who have no social security protection. The system has passed them by. Their jobs were not covered by social security during their working years. They are for the most part the teachers, policemen, firemen, and self-employed farmers who retired before social security coverage came to their profession.

Many of these 1.5 million older Americans either have no outside income or they receive small pensions based in part on salaries of the 1930's and 1940's. For example, some retired teachers with 20 or more years service have pensions of \$25 per month. A number are on public assistance.

My amendment would "blanket in" under the protection shield of social security all of these people who reach age 70 without the benefit of social security coverage. They would receive the minimum monthly benefit which is now \$44.

The precedent for my amendment was set in the 1965 amendments to the Social Security Act when all older Americans not covered by social security were made eligible for medicare at age 65. Additionally, the transitional insurance provisions added to the social security law by those amendments were an effort to make a start in the direction of my amendment.

My proposal is the logical extension of the "blanketing in" provisions of the 1965 Social Security Amendments. Its adoption is essential if we are to meet our commitments to fight poverty among

our elderly poor. It is supported in principle by the U.S. Chamber of Commerce, the AFL-CIO, the American Association of Retired Persons, the National Retired Teachers Association, the National Council of Senior Citizens, and virtually every informed person or organization conversant with the plight of the aged needy.

Some weeks ago, when he appeared before the Committee on Aging, Mr. Shriver, Director of the OEO, stated in substance that the poverty program was not designed to help the elderly poor. He said, in effect, that while the program tries to bring some help to the elderly poor, it basically was not designed for that purpose.

I commended Mr. Shriver for being honest and forthright in making that statement. I asked him if it was not true that what the elderly poor in this Nation needed more than anything else was more money in their pockets, and in substance he agreed.

I now quote from Mr. John Edelman, legislative director of the National Council of Senior Citizens, when he appeared before the Committee on Aging.

He said:

We have adopted, both by convention and by subsequent action of our executive council, a program for considerably more substantial increases in the social security benefits than even those pointed out by Mr. PROUTY. We applaud Senator PROUTY's efforts in this direction, and in the long run, we feel he is aiming at the most fundamentally necessary thing which needs to be done to alleviate the conditions of the elderly in the United States today. We support blanketing in all persons aged 70 under social security for a least a minimum benefit, and will continue to work for it very actively and very militantly.

Mr. President, let me quote briefly from a few of the thousands of letters that I have received on this question from old people throughout the country. Nothing tells more about my amendment—nothing better states its need—than the correspondence I have received over the years.

From Mrs. C, an 89-year-old widow with no social security, no pension, and little hope, a plea to buy bread for her table.

From Mrs. T, the widow of a minister with 50 years' service, a sorrowful request for redemption from the indignity of poverty.

From Miss C, a retired teacher with 50 years' service, a searching request for money to help her preserve her failing eyesight.

From Mrs. S, of Appleton, Wis., a touching note telling how much my amendment would mean to her. Her total income is \$45 per month—she does not receive any welfare payments.

From the La Crosse County Retired Teachers Association, the results of a study which notes that 500 retired teachers receive less than \$25 per month from their pension while 637 receive only \$50. None of these 1,100 retired teachers was eligible for social security.

From Mrs. M, of Little Rock, Ark., the story of an acquaintance who retired from teaching at age 70 and took a job

as a waitress to get social security coverage.

From Miss M, of Rhode Island, a statement of the retired teachers great need for my amendment, relating how 250 of them receive pensions of less than \$2,000 a year.

From Miss S, of Milford, Mich., afflicted with chronic allergic asthma, complicated by emphysema, who receives a pension of \$113 a month, over half of which goes for medicines and I quote:

I have at times considered just giving up with an overdose of sleeping pills at times—it is so discouraging. I have been a good citizen all my life but I really don't feel like one now.

From Mr. H, of New Fairfield, Conn., the holder of a Ph. D., these tragic words:

I used to take it as an honor, but inflation has driven me to my knees to beg for some kind of relief.

From Mrs. U, from Moxville, N.C., a short, sad biography. For the past 14 years she was the sole support of her aged mother, who recently died at 97. Her pension over this period was less than \$50 a month. Now her eyes are dimming and she writes me of her fear that she will not live to see the benefits of my amendment.

From Miss F, of Burlington, Vt., the recollection that for many of her working years as a public school teacher she received \$6.50 a week, paying \$2.50 a week for board. Today she cannot live on what little she saved. She is not eligible for social security.

From Mrs. F, of Louisville, Ky., a plea for adoption of my amendment and the very penetrating insight that "the elderly so far have been forgotten in the blueprint for a Great Society."

From Mrs. H, of New York City, an urgent request for adoption of my amendment because she is now being forced to support her husband's nursing care out of capital.

From Mr. A, of St. Petersburg, Fla., a report of hunger and little money and a call for the Great Society to do something tangible for the starving millions of older Americans who gave their all during their working years.

From Mr. E, of Huntington Station, N.Y., a comment familiar to those of us who have long studied the problems of the aged, he cannot find a job so as to qualify for social security. You see, he is 78 and employers tell him he is too old to work.

These letters are typical of the thousands I have received in recent years stressing the plight of the forgotten elderly and pleading for relief from the oppressions of poverty. These people are not the cold statistics of a census. These are real people in real distress.

Much has been said about the cost of the program. First, I remind Senators who are present in the Chamber that the Dominion of Canada, which clearly does not possess the financial resources of the United States, pays a pension of \$75 a month to every citizen reaching the age of 70.

If our country, the greatest and most powerful country in the world cannot

duplicate the effort of our northern neighbor, I believe we must take a new look at our entire social security system. Turning to some of the costs of the poverty program, I quote from hearings on the supplemental 1966 appropriations for the poverty program:

PER PERSON COSTS OF OTHER FEDERAL PROGRAMS IN RELATIONSHIP TO THE \$44 PER PERSON PER MONTH \$528 PER YEAR COST OF THE PROUTY AMENDMENT

UNDER THE POVERTY PROGRAM

From hearings on supplemental 1966 appropriations

Cost of operating Job Corps camp per enrollee: \$4,500, over 9-month period annualized, this cost is \$6,035.

Capital costs of Job Corps camp per enrollee: \$500, as amortized over 10 years.

Travel costs of enrollee: \$70.

Readjustment allowance per enrollee: \$50 per month, plus \$30 per month living allowance.

Maximum clothing allowance per enrollee: \$140.

In the 1966 supplemental, Shriver asked for \$235 million for job camps to meet a design capacity of 50,000 enrollees. The Prouty amendment asks for three times that amount to provide social security protection for 30 times the number of people. The goal is 100,000 enrollees at an annualized cost of \$600 million poverty dollars. For one-third again the cost, the Prouty amendment benefits 1,500 percent more people.

The poverty program benefits 50,000 young people in the prime of life. The Prouty amendment benefits 1.5 million older Americans in their dim and often desperate years.

The Job Corps enrollee is paid enough to send \$600 back to his parents each year. The aged, 70 years and over, not eligible for social security, are denied \$528 if the Prouty amendment is defeated.

The appropriation requested for 280,000 work trainees was \$255 million, or roughly \$911 per trainee. The amount requested per each Prouty beneficiary, \$44 per month, \$528 per year.

UNDER MANPOWER DEVELOPMENT AND TRAINING ACT

According to the Department of Health, Education, and Welfare, it costs nearly \$2,500 per year to keep a man and his family on welfare for a year (hearings on Manpower Development and Training Act, Feb. 2, 1964, Senate, according to Commissioner Keppel). MDTA costs \$1,200 to \$1,300 per trainee.

UNDER PROGRAMS OF VOCATIONAL REHABILITATION

Depending upon degrees of disability, rehabilitation services run from \$500 to \$1,500 per person.

In summary then, it appears that the Prouty cost-benefit ratio far exceeds cost-benefit ratios of existing Federal assistance programs. Additionally, the program benefits a category of beneficiaries too long neglected.

Mr. President, I should like to quote from the task force report of the U.S. Chamber of Commerce. It states in part:

There remain over 1.5 million people age 65 and over who are not eligible for social security retirement benefits. These are principally retired Federal Government employees, veterans, and others who, either because of age or occupation, were not included in the Social Security Act of 1935 and subsequent amendments. The number of aged persons not covered by social security is decreasing each year as people in the upper age brackets die and as more people reach-

ing retirement age are eligible for social security because of prior employment.

Since 1935 the Social Security Act has been amended to include more groups, such as, for example, military personnel and self-employed persons. Members of the medical profession, as a result of the amendments of 1965, are the most recent group to be added. Social security is a public program and no group of working people should be exempted from paying taxes to support it or from benefiting from it.

The task force's recommendations state:

All Americans 65 years of age and over not eligible for social security retirement benefits should be brought into the program.

Mr. President, a little earlier, when there were few Senators in the Chamber, I pointed out some of the problems of the recipients of Federal pensions. I should like to reiterate their plight again for emphasis:

Of the more than 200,000 surviving widows and children of civil service retirees, 38 percent receive less than \$50 a month; 79 percent receive less than \$100 a month; 93 percent receive less than \$150 a month. Ninety-nine percent of all surviving widows and children receive less than the so-called poverty level of \$3,000 per year. Of the 170,000-some widows on the civil service retirement rolls as of June 30, 1965, the average age was 65.8, the average annuity a meager \$80 per month.

The situation of surviving widows and children is not necessarily the most desperate. Look at the unfortunate figures relating to employee annuitants: 49,700 receive less than \$50 a month; 126,100 receive less than \$100; 214,300 receive less than \$150 per month; 307,600 receive less than \$200. Viewing the so-called poverty level as \$250 per month, 377,500 civil service employee annuitants out of a grand total of 508,500 receive less than poverty-scale annuities.

Mr. President, alarmingly enough, nearly 74 percent of all civil service employee annuitants receive less than the magical poverty level.

So, let him who sees injustice in including Federal pensioners in my bill come forward and identify himself.

I wish to point out that there can be a fair and reasonable difference of opinion as to the cost of this program; the figures are quite intricate. I invite the attention of the Senate to an amendment which I offered last year on the floor of the Senate to increase minimum benefits to \$70 per month per individual.

During the debate, the distinguished Senator from Louisiana estimated the cost of my amendment at that time at \$3 billion. I estimated the cost at around \$1.2 billion.

Subsequent to action on the bill, I received a memorandum from Mr. Myers, the Social Security actuary, in which he said in part:

A discussion of the cost estimates that I had made for this proposal and for earlier versions thereof is contained on page 15337 of the CONGRESSIONAL RECORD for July 8. Unfortunately, some of the cost information

that I furnished to both Senator Long and Senator PROUTY was not completely clear and I hope that this memorandum will clarify the situation.

He pointed out—and I am not referring to the amendment presently pending before the Senate—that the actual additional cost of my amendment over the Finance Committee bill was \$1.8 billion, rather than \$3 billion suggested by the distinguished Senator from Louisiana.

I am not suggesting that Mr. Myers deliberately—I know he did not—give different information to the Senator from Louisiana than he did to me. We approached the question from different standpoints. I think the Senator from Louisiana and I were both accurate, based on the information given us.

In closing, let me reemphasize that the Canadian Government pays to each citizen 70 years and older \$75 a month, and \$150 to a couple, if a man and wife are both living.

It seems to me this country can do no less.

May I repeat, if and when the motion to table is made, I want it clearly understood a vote to table this amendment is in fact a motion to kill the amendment. It is merely a procedure by which some Senators, if they wish to do so, can tell people back home, "I voted only to table; I did not vote against the amendment." But a vote to table is a vote against the Prouty amendment. I hope there will be no misunderstanding about it.

I am sorry we have had no opportunity to act on this measure over the 3 to 4 years since its introduction. I must assume the administration is opposed to the proposal. Otherwise it would have the support of the distinguished Senator from Louisiana.

I am perfectly willing to yield the floor at this time, and I am ready to vote at any time; but, once again, I wish to say that a vote to table is a vote against the Prouty amendment.

Mr. LONG of Louisiana. Mr. President, this amendment should not be agreed to. I should like to point out why it does not make good sense. I explained the amendment to the Senate last year. The Senate tabled the amendment at that time.

I made the statement then and it is equally appropriate now that, rather than adopt the amendment, it would be just as well to climb to the top of the Washington Monument and scatter hundred dollar bills in a high wind.

In Louisiana we cannot get the policemen and firemen to come under the social security system. They prefer to be covered by the State pension system because they get higher retirement benefits under that system. After serving 20 years, a policeman can retire on full retirement benefits and receive full retirement benefits.

This amendment provides that, even while either the retired fireman or policeman is drawing a pension, which could be \$500 a month or more, he would nevertheless be entitled to social security benefits of \$44 a month for himself and \$22 for his wife.

If any distinguished Member of this legislative body is 70 years of age, he receives the full retirement benefit of \$900 a month. Under this amendment, he would also receive a further benefit of \$44 a month for himself and \$22 for his wife.

Further, a member of the armed services generally draws retirement benefits far greater than provided by social security. Under this amendment, he will get additional benefits of \$44 a month for himself and \$22 for his wife, even though there was no need shown for it.

One would think, if we were going to adopt this amendment, there would at least be a requirement to show a need. This need has certainly not been demonstrated. There is no question of need involved.

The Senator from Vermont has talked about schoolteachers. We cannot get the schoolteachers in Louisiana to enter the social security retirement program. They fear that if they do so, they would jeopardize their own pensions, under which they are guaranteed much better benefits than they would receive under the social security program. They do not want to take the chance, by coming under social security, that the State legislature would not appropriate the large sums of money necessary to provide for their present retirement benefits.

Yet under this bill, in addition to the State retirement benefits, each retired schoolteacher would receive \$44 for himself and \$22 for his wife.

Even more inequitable, under this amendment, a person can be a millionaire, draw a good private pension, and still be entitled to \$44 a month for himself and \$22 for his wife.

This is certainly a poorly conceived amendment, almost as inept as another amendment, which might have been offered. This other measure, namely, amendment No. 490, was also introduced by Senator PROUTY as a proposed amendment to the pending tax measure. It would provide benefits for everybody around the world who is aged 70 and over. It would include Mao Tse-tung, Charles de Gaulle, and everybody else. The Senator apparently will want to provide a pension for everybody in the world. The Senator may not call amendment 490 up.

At least, we can say the pending amendment applies only to American citizens. But it is equally objectionable, for there is no requirement of need or of contribution. Every State has a welfare program to take care of anyone who is truly in need. But those who are not in need and who have not contributed 5 cents to the social security trust fund would, under the amendment, receive benefits. There is no reason why we should be providing payments to people who can take care of themselves and have not made any contributions to the program.

For example, the Federal Government provides a better retirement program than people have under social security. Why should Federal retirees receive additional benefits under the social security system?

How about State employees? Many of them do not want it. If they want to come under social security, all they have to do is elect to do so.

When I tried to persuade such individuals to come under the social security program in my State, they demanded that I take any such proposal off the statute books for fear that the State legislature might not vote to provide the amounts of money necessary under their own retirement system.

The Government is about \$320 billion in debt. Some States have no debt at all. This amendment would give some States a big windfall as to their own State programs, at the expense of the Federal Government, and put the Federal Government more deeply into debt.

Mr. President, there is no need for the amendment. In the event that someone had a case for people who are really in need, we would be glad to consider it on the Finance Committee and vote additional help for these less fortunate persons. Not only is there no need for this amendment, it does not belong on a tax raising bill.

H.R. 12752 is to enable us to move toward balancing the budget, and the proposed measure would unbalance the budget.

If we are going to vote for this amendment, we might as well go ahead with voting other measures which might provide for those who think they have no need for additional Federal benefits.

Because of the foregoing arguments, I shall move to table the amendment.

Mr. PROUTY. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. LONG of Louisiana. I yield.

Mr. PROUTY. Mr. President, I ask unanimous consent to submit some memorandums in the RECORD.

There being no objection, the data were ordered to be printed in the RECORD, as follows:

SUMMARY OF COST ANALYSIS

1. In 1965, Robert Meyers, social security actuary, informed the Senate Finance Committee that there were 1.75 million Americans aged 65 and over not eligible for social security.

2. The U.S. Chamber of Commerce, the AFL-CIO, the National Council of Senior Citizens, the American Association of Retired Persons, and the National Retired Teachers Association claim that this figure should be 1.5 million.

3. On March 2, Robert Meyers maintained there were 1.8 million age 70 and above not eligible for social security.

4. Using the figures cited by the chamber the cost of the Prouty amendment (not including an allowance for any reduction in State welfare payments which may take place) can reasonably be expected to be \$450 million.

5. Using Meyers figures the net cost of the Prouty proposal is \$760 million.

6. Striking a median figure between the high and low estimates the Prouty proposal can reasonably be expected to cost around \$600 million.

MEMORANDUM ON COST

On April 30, 1965, Robert J. Myers, social security actuary, submitted a written estimate on the cost of blanketing-in all persons age 65 or over for benefits of \$35 per month

with \$17.50 payable to the wife of the beneficiary.

This stated that there were 1.75 million Americans aged 65 and over not eligible for social security. Mr. Myers indicated that the number of such beneficiaries would diminish each year reaching a level of 1.25 million by 1990. On March 2, 1966, Mr. Myers said that there were 1.8 million people age 70 and above who would be brought within the scope of my amendment.

Clearly, there is a wide discrepancy in Mr. Myers' underlying data. How can there be 1.75 million age 65 while there are 1.8 million age 70 only 1 year later, particularly in light of the statement by Mr. Myers that the group not now eligible for social security is decreasing in size each year.

The U.S. Chamber of Commerce in its task force report on poverty and the aged notes that there are 1.5 million Americans age 65 and above not now eligible for social security. This statistic is confirmed by the National Council of Senior Citizens and the American Association of Retired Persons and the National Retired Teachers Association.

The difference in the ultimate cost figure is, of course, quite substantial. If the base figure of 1.5 million older Americans ineligible for social security is used for all those age 65 and above, the cost of the Prouty proposal viewed as a product of the annual benefit (\$528) times the number of beneficiaries the cost is maximized at \$792 million. The actual cost will be much less. For example, a portion of the 1.5 million will be wives who would receive one-half the minimum benefit. Additionally, the 355,000 transitionally insured (now financed from the OASDI trust fund) would be absorbed and included in the 1.5 million, releasing the present cost of transitional insurance, \$140 million for other social security purposes. Finally, beneficiaries of the Prouty amendment might elect to go off public assistance, thereby diminishing the total Federal cost by virtue of the public assistance title of the Social Security Act.

The Prouty amendment does not blanket in at age 65. It blankets in at age 70. Using the Chamber's base of 1.5 million at age 65 it is fair to assume a base of 1.25 million at age 70. Using a base of 1.25 million would develop a maximum cost of \$660 million from which reductions would be made for payments to wives, diminishment in public assistance payments, and a \$140 million credit for the transitionally insured absorbed into the Prouty proposal. The net cost out of general revenue might be fairly represented by \$450 million.

Taking Mr. Myers' highest estimate of 1.8 million beneficiaries age 70 and above less the credit for transitional insurance, wives' payments and reductions in public assistance, his estimate can be fairly read to require payment of some \$700 million out of general revenues.

Striking a median cost figure between the high buyer's estimate and the low estimate a payment of some \$575 million out of general revenues might be expected.

A more definite cost appraisal is not possible due to the wide fluctuation of the estimates provided by the social security actuary from 1965 to the present.

PER PERSON COSTS OF OTHER FEDERAL PROGRAMS IN RELATIONSHIP TO THE \$44 PER PERSON PER MONTH OR \$528 PER YEAR COST OF THE PROUTY AMENDMENT

UNDER THE POVERTY PROGRAM (FROM HEARINGS ON SUPPLEMENTAL 1966 APPROPRIATION)

Cost of operating Job Corps camp enrollee: \$4,500, over 9-month period; annualized, this cost is \$6,035.

Capital costs of Job Corps camp enrollee: \$500, as amortized over 10 years.

Travel costs of enrollee: \$70.

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In the 1966 supplemental appropriation, Shriver asked for \$235 million for job camps to meet a design capacity of 50,000 enrollees. The Prouty amendment asks for two times that amount to provide social security protection for 30 times the number of people. The goal is 100,000 enrollees at an annualized cost of \$600 million poverty dollars. For one-third again the cost, the Prouty amendment benefits 1,500 percent more people.

The poverty program benefits 50,000 young people in the prime of life. The Prouty amendment benefits 1.5 million older Americans in their dim and often desperate years.

The Job Corps enrollee is paid enough to send \$600 back to his parents each year. The aged, 70 years and over, not eligible for social security, are denied \$528 if the Prouty amendment is defeated.

The appropriation requested for 280,000 work-trainees was \$255 million, or roughly \$911 per trainee. The amount requested per each Prouty beneficiary, \$44 per month, \$528 per year.

UNDER MANPOWER DEVELOPMENT AND TRAINING ACT

According to the Department of Health, Education, and Welfare, it costs nearly \$2,500 per year to keep a man and his family on welfare for a year (hearings on Manpower Development and Training Act, Feb. 2, 1964, Senate—according to Commissioner Keppel). Manpower Development and Training Act costs \$1,200–\$1,300 per trainee.

UNDER PROGRAMS OF VOCATIONAL REHABILITATION

Depending upon degrees of disability, rehabilitation services run from \$500 to \$1,500 per person.

In summary then, it appears that the Prouty cost-benefit ratio far exceeds cost-benefit ratios of existing Federal assistance programs. Additionally, the program benefits a category of beneficiaries too long neglected.

MEMORANDUM ON STATE PUBLIC ASSISTANCE PROGRAMS

The 1965 amendments to the Social Security Act provided an incentive and a penalty for certain reductions in State public assistance programs resulting from amendments to the Social Security Act.

The incentive was provision for voluntary exemption of up to \$5 of income in computing a welfare recipient's eligibility for continued or new participation in a State welfare program.

The penalty occurs under section 405 in the 1965 amendments and requires the diminishment of Federal public assistance grants to States to the extent that the State does not maintain expenditures from State and local funds as was spent under approved plans in a base period against which current quarter expenditures would be measured.

The net effect of adding these provisions to the Social Security Act is to persuade States to maintain their level of public assistance expenditures without setting off benefits received by welfare claimants from social security.

While these two provisions do not guarantee the complete pass-through of social security benefits to welfare recipients without a reduction in the welfare payment they clearly limit the instances in which a State will elect to make such public welfare reductions.

For example, since the effective date of the 1965 amendments, 11 States have implemented part or all of the allowable \$5 exemption. Two States are going to implement it and an additional 12 jurisdictions have the matter actively under consideration.

Because of the maintenance of effort provisions, section 405, should a State reduce a beneficiaries welfare payment that money is more likely to stay within the States public assistance program—to aid the blind, children of unemployed parents, the physically handicapped—and accordingly the Prouty Amendment will support State public assistance programs.

Subject: States which have passed the OASDI benefit increase on to old-age assignment recipients by exercising the option in section 409 (a) of the Social Security Amendments of 1965 allowing the disregarding of up to \$5 a month of any income.

The Welfare Administration informs us that as of February 3, 1966, the following States had exercised the option as to \$5 a month or less: Arkansas, \$3; Delaware, \$5; Florida, \$4; Idaho, \$5; Indiana, \$5; Georgia, \$4; Hawaii, \$5; Missouri, \$5; Vermont, \$4; South Dakota, \$5; Wyoming, \$5.

Two more jurisdictions say that they are going to implement the provision: Michigan and Puerto Rico.

Twelve more jurisdictions state that implementation is under consideration at the present time: District of Columbia, Kentucky, Nevada, New Hampshire, North Carolina, Oklahoma, South Carolina, Tennessee, Virgin Islands, Virginia, West Virginia, and Wisconsin.

The rest of the jurisdictions have indicated that they do not intend to implement the provision at the present time.

MEMORANDUM ON GENERAL REVENUE FUNDING

1. Amendment 490 which has been superceded by amendment 495 provided that the OASDI trust fund should be reimbursed on a "contribution-benefit" formula. That is to say from general revenues money should be covered into the trust fund to the extent that it would equate the contribution a Prouty beneficiary would have made to the trust fund if he had been covered by social security.

2. Amendment 495 which will be offered provides for funding from general revenues on a "cost-benefit" ratio. That is to say \$1 is covered into the OASDI trust fund from general revenues for every dollar in benefits paid.

3. Under the principle of the funding technique in amendment 490 the cost of the Prouty plan is borne both by the taxpayers and the trust fund. Inasmuch as minimum beneficiaries never contribute as much to the fund as they take out, the Treasury would have to cover into the trust fund only the contributions beneficiary would have made if he had been covered. To the extent that such contribution does not pay for actual cash benefits the trust fund absorbs the difference.

4. Under the general revenue funding principle of amendment 495 no burden is placed on the trust fund, hence on contributors to the trust fund. All of the costs are borne out of general revenues, hence by the taxpayers.

EXCERPTS FROM CORRESPONDENCE—WHO BENEFITS BY THE PROUTY AMENDMENT

Mr. President, nothing tells more about my amendment—nothing better states its need—than the correspondence I have received these many months from people whose destiny turns on my amendment. Let me read to you some telling excerpts:

From Mrs. C. an 89-year-old widow with no social security, no pension, and little hope, a plea to buy bread for her table.

From Mrs. T, the widow of a minister with 50 years' service, a sorrowful request for redemption from the indignity of poverty.

From Miss C, a retired teacher with 50 years' service, a searching request for money to help her preserve her failing eyesight.

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mean to her. Her total income is \$45 per month—she does not receive any welfare payments.

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From Mr. E of Huntington Station, N.Y., a comment familiar to those of us who have long studied the problems of the aged, he cannot find a job so as to qualify for social security. You see, he is 78 and employers tell him he is too old to work.

These letters are typical of the thousands I have received in recent years stressing the plight of the forgotten elderly and pleading for relief from the oppressions of poverty. These people are not the cold statistics of a census. These are real people in real distress.

Mr. LONG of Louisiana. Mr. President, I move that the amendment be laid on the table, and I ask for the yeas and nays.

The yeas and nays were ordered. The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Nevada [Mr. CANNON], the Senator from Idaho [Mr. CHURCH], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Arizona [Mr. HAYDEN], the Senator from Minnesota [Mr. MCCARTHY], the Sena-

tor from South Dakota [Mr. McGOVERN], the Senator from Utah [Mr. MOSS], and the Senator from Maine [Mr. MUSKIE] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD] and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

I further announce that, if present and voting, the Senator from Connecticut [Mr. DODD] would vote "nay."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The result was announced—yeas 37, nays 51, as follows:

[No. 46 Leg.]

YEAS—37

Anderson	Holland	Pastore
Bayh	Jackson	Pell
Bible	Jordan, N.C.	Proxmire
Brewster	Long, Mo.	Robertson
Byrd, Va.	Long, La.	Smathers
Case	Mansfield	Stennis
Douglas	McClellan	Symington
Eastland	McGee	Talmadge
Ellender	McNamara	Tydings
Ervin	Metcalfe	Williams, N.J.
Harris	Monroney	Yarborough
Hart	Montoya	
Hill	Neuberger	

NAYS—51

Aiken	Gruening	Nelson
Allott	Hartke	Pearson
Bartlett	Hickenlooper	Prouty
Bennett	Hruska	Randolph
Boggs	Inouye	Ribicoff
Burdick	Javits	Russell, S.C.
Byrd, W. Va.	Jordan, Idaho	Russell, Ga.
Carlson	Kennedy, Mass.	Saltonstall
Clark	Kennedy, N.Y.	Scott
Cooper	Magnuson	Simpson
Cotton	McIntyre	Smith
Curtis	Miller	Sparkman
Dirksen	Mondale	Thurmond
Dominick	Morse	Tower
Fannin	Morton	Williams, Del.
Fong	Mundt	Young, N. Dak.
Gore	Murphy	Young, Ohio

NOT VOTING—12

Bass	Fulbright	McCarthy
Cannon	Hayden	McGovern
Church	Kuchel	Moss
Dodd	Lausche	Muskie

So the motion of the Senator from Louisiana [Mr. LONG] to lay on the table the amendment of the Senator from Vermont [Mr. PROUTY] was rejected.

The PRESIDING OFFICER. The question now is on agreeing to the amendment of the Senator from Vermont [Mr. PROUTY]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MILLER (when his name was called). On this vote I have a live pair with the junior Senator from Oklahoma [Mr. HARRIS]. If he were present and voting, he would vote "nay." If I were at liberty to cast my vote, I would "yea." I withhold my vote.

The rollcall was concluded.

Mr. LONG of Louisiana. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Nevada [Mr. CANNON], the Senator from Idaho [Mr. CHURCH], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Arizona [Mr. HAYDEN], the Senator from Minnesota [Mr. MCCARTHY], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Utah [Mr. MOSS], the Senator from Maine [Mr. MUSKIE], and

the Senator from Oklahoma [Mr. HARRIS] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Ohio [Mr. LAUSCHE], and the Senator from Virginia [Mr. BYRD] are necessarily absent.

On this vote, the Senator from Virginia [Mr. BYRD] is paired with the Senator from Connecticut [Mr. DODD].

If present and voting, the Senator from Virginia would vote "nay," and the Senator from Connecticut would vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The result was announced—yeas 45, nays 40, as follows:

[No. 47 Leg.]

YEAS—45

Aiken	Hartke	Pastore
Allott	Hruska	Pearson
Bartlett	Jackson	Pell
Boggs	Javits	Prouty
Brewster	Jordan, Idaho	Randolph
Burdick	Kennedy, Mass.	Ribicoff
Byrd, W. Va.	Kennedy, N.Y.	Russell, S.C.
Carlson	Magnuson	Russell, Ga.
Cotton	McClellan	Scott
Curtis	McIntyre	Simpson
Dominick	Mondale	Smith
Eastland	Morse	Sparkman
Fannin	Mundt	Tower
Fong	Murphy	Young, N. Dak.
Gruening	Nelson	Young, Ohio

NAYS—40

Anderson	Hill	Proxmire
Bayh	Holland	Robertson
Bennett	Inouye	Saltonstall
Bible	Jordan, N.C.	Smathers
Case	Long, Mo.	Stennis
Clark	Long, La.	Symington
Cooper	Mansfield	Talmadge
Dirksen	McGee	Thurmond
Douglas	McNamara	Tydings
Ellender	Metcalfe	Williams, N.J.
Ervin	Monroney	Williams, Del.
Gore	Montoya	Yarborough
Hart	Morton	
Hickenlooper	Neuberger	

NOT VOTING—15

Bass	Fulbright	McCarthy
Byrd, Va.	Harris	McGovern
Cannon	Hayden	Miller
Church	Kuchel	Moss
Dodd	Lausche	Muskie

So Mr. PROUTY's amendment was agreed to.

Mr. LONG of Louisiana. Mr. President—

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. PROUTY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. SCOTT. Mr. President, I move to lay that motion on the table.

Mr. MANSFIELD. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. The Senator from Louisiana had addressed the Chair previously, and the Chair recognized him.

Mr. LONG of Louisiana. Mr. President, I wish to discuss the amendment.

I think Senators ought to have an opportunity to hear the arguments made on this amendment. I should like to acquaint Senators with what this amendment does.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Does the Senator from Louisiana yield?

Mr. LONG of Louisiana. Mr. President, I do not yield.

Mr. SCOTT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Does the Senator for Louisiana yield for that purpose?

Mr. SCOTT. Mr. President, who has the floor?

Mr. PROUTY. Who has the floor?

Mr. LONG of Louisiana. I do. I refuse to yield.

The PRESIDING OFFICER. The Senator from Louisiana has the floor, and the Chair did not recognize the Senator from Vermont to make his motion.

Mr. LONG of Louisiana. Mr. President, I have the floor. I do not yield at this moment.

Mr. DIRKSEN. Mr. President, wait a minute. Do not be impatient.

Mr. LONG of Louisiana. May I say, Mr. President, that I am not impatient but I still do not yield the floor. I should like to ask the Chair to protect my rights.

Mr. President, I do not want to yield.

Mr. DIRKSEN. I insist.

Mr. LONG of Louisiana. I believe I do have the floor, and I do not yield.

The PRESIDING OFFICER. The Senate will be in order.

Mr. LONG of Louisiana. I was recognized by the Chair.

Mr. SCOTT. Mr. President, I should like to propound a parliamentary inquiry, which I understand is in order.

Mr. LONG of Louisiana. I was recognized by the Chair.

The PRESIDING OFFICER. Will the Senator yield for a parliamentary inquiry?

Mr. LONG of Louisiana. No. I do not yield at this point.

Mr. PASTORE. May we have order, Mr. President?

Mr. PROUTY. Mr. President, a point of personal privilege.

Mr. LONG of Louisiana. Mr. President, do I have the floor?

The PRESIDING OFFICER. The Senate will be in order.

Mr. PROUTY. Mr. President, a point of personal privilege.

The PRESIDING OFFICER. The Senate will be in order. The Senator from Louisiana has the floor. Does the Senator from Louisiana yield?

Mr. DIRKSEN. Mr. President, let us have a formal ruling as to whether or not—

Mr. LONG of Louisiana. Mr. President, I will yield for a question, and I will not yield for anything but a question. The Chair recognized the Senator from Louisiana when I addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana has the floor. The Senator from Vermont spoke a few seconds after the Chair had recognized the Senator from Louisiana.

Mr. HICKENLOOPER. Mr. President, may we have order?

The PRESIDING OFFICER. The regular order has been requested, and the Senator from Louisiana has the floor and will hold the floor if the Chair is able to enforce that ruling.

Mr. DIRKSEN. Mr. President, I would like to know, when a vote has been taken—

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that, without any prejudice to my right to the floor, and without yielding to any Senator the right to make a motion, I might yield for a brief statement by the Senator from Illinois; I repeat, with the understanding that I do not prejudice my right to the floor and I do not yield to him for the purpose of making a motion.

Mr. DIRKSEN. Mr. President, I fully agree to those conditions.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, when the result was announced, the Senator from Vermont was in the well of the Senate, and he moved to reconsider. It seems to me that even without formal recognition by the Chair, that motion can be made. That has been customary; and I moved to table that motion.

Now, did the Senator from Vermont have the floor, or did he not have the floor?

Mr. MANSFIELD. Mr. President, will the Senator yield at that point?

Mr. DIRKSEN. I yield.

Mr. MANSFIELD. I had tried to seek recognition for the purpose of asking for the yeas and nays on the motion to reconsider of the distinguished Senator from Vermont, but I was not recognized. So, as I understand it, due to the fact that the Senator from Louisiana was given the floor, there was no motion to table made which would have any validity.

The PRESIDING OFFICER. The Senator from Montana has stated the situation correctly. The Senator from Vermont will have the privilege, before any other business is transacted, of making a motion to reconsider.

Mr. LONG of Louisiana. Mr. President, I did not agree to that.

Mr. PROUTY. Well, Mr. President, a parliamentary inquiry.

Mr. LONG of Louisiana. My understanding, Mr. President, is that the person who holds the seat of the majority leader when all the Senators are shouting at the same time according to custom is entitled to be recognized first. That has been the procedure as long as I have been a Member of this body.

I wish to speak about the motion while a number of Senators are present, since very few Senators were present when I presented my arguments.

This is the same measure that was voted down by a vote of 55 to 36 last year. I merely wish to explain to the Senators how little sense this proposal makes. Here is what it would do.

In the State of Louisiana, for example, as in some of the other States, we permit policemen to retire after 20 years of service.

Mr. PASTORE. Mr. President, we cannot hear the speaker.

The PRESIDING OFFICER. The Senate will be in order. Senators will take their seats.

Mr. LONG of Louisiana. In the State of Louisiana, just as one example, as in many other States, we let policemen retire after 20 years of service, and they can draw full retirement after 20 years.

They do not wish to be covered by social security, because the retirement benefits under our policeman's retirement program are so much greater than they are under social security.

In my State, it is not at all unusual for a man to retire as a policeman and then go to work as a fireman; and after 20 years, he is eligible for a second full retirement, so that he can draw two pensions, both of which exceed the maximum benefit under social security.

The amendment upon which we have just voted now proposes to say that, starting at age 70, in addition to drawing two pensions, that a person could also draw a third pension, under social security, of \$44 for himself and \$22 for his wife, even though he has not contributed 1 cent to social security. Not 1 red copper penny must he have put into the social security fund. To pay for this amendment, we will have to take from the general revenues much of the money we hope to raise in the pending tax legislation. The amount required for the first year would exceed what we would raise by the increased tax on telephones. It would cost \$790 million to provide these social security benefits to many who do not need them.

In addition, people in the armed services have their retirement program, and in many instances the maximum benefit under that program exceeds the maximum benefit under social security.

What would the Senator's amendment provide? It would provide that those people, in addition to drawing a military pension—which we provide with taxpayers' funds—would also draw \$44 for themselves and \$22 for their wives.

The amendment is so broad as to provide benefits even for Members of Congress, persons who are serving here right now provided they are not covered under social security. Every retired Senator 70 years of age or older would start immediately drawing a pension of \$44, plus \$22 for his wife in addition to his Government pension. So I say to my fellow Senators, you are voting yourselves a pension right now if you are over the age of 70 and not drawing social security benefits.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Rhode Island.

Mr. PASTORE. I think the Senator from Louisiana is making a good point. I think there is considerable substance to the arguments that have been made by the Senator from Vermont [Mr. PROUTY]. There are some people who have reached the age of 70 who may need some help.

But after all, this is a piece of legislation that should be studied thoroughly. I realize that what this legislation would do is put everyone under the umbrella. Once you have reached the age of 70, you could be a millionaire, and you would still be entitled to collect \$44 every single month.

I do not think the Senator from Vermont means anything as far-reaching as that. He has been reading letters here of people who desperately need some help; and we ought to do something for those people. But I think this is a meas-

ure which should be thoroughly studied, and that this is not the way to do it.

I believe there is substance to the arguments made on both sides, but I would hope we would not go off, willy-nilly, because it is attractive, this afternoon, to subscribe to the Senator's amendment.

Mr. LONG of Louisiana. Mr. President, I wish to go one step further. I wish to point out that anyone who is in need of such help can get it right now, under public welfare. We just finished increasing the matching formula to provide adequately for those under old age assistance.

So what it boils down to is a matter of whether the Senate wishes to embark on this program of providing monthly payments to people who have not paid one penny for it, who have no claim nor title whatever to it, and who have no need of it. If we are going to embark on such a course may our merciful Lord shed some help on this fair land of ours. If we are going to start voting pensions for people who do not need them, who have no requirement for them whatever, who are drawing pensions already, in some cases, of \$700 every month, many thousands of dollars every year, people who have large annuities, who have all kinds of resources, then I would say there is no hope of ever balancing the budget, no hope of ever having any fiscal responsibility in this country.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. SMATHERS. Is it not a fact that the bill with which we are involved here is basically a bill which seeks to raise revenue in order to meet our growing commitments in South Vietnam? Is that not the purpose of the bill?

Mr. LONG of Louisiana. That is what we are trying to do.

Mr. SMATHERS. Is it not a fact that this amendment, if adopted, would cost the taxpayers an estimated \$3.4 billion in 5 years?

Mr. LONG of Louisiana. Yes, it would.

Mr. SMATHERS. Is it not a fact that we have in this country a somewhat inflationary condition already, and that if we adopt the amendment of the Senator from Vermont, it would feed the fires of inflation about as much as anything we could do?

Mr. LONG of Louisiana. There is no doubt about it; because it would put the money, for the most part, in the hands of people who have no need of it whatever.

Mr. SMATHERS. Would the Senator not agree that people who talk about believing in fiscal responsibility should by all means not vote for this amendment?

Mr. LONG of Louisiana. I agree.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from New Mexico.

Mr. ANDERSON. I am 70 years old. Will the Senator explain to me why I should receive an extra \$66 a month which I do not receive?

Mr. LONG of Louisiana. I just do not understand it. May I say to the Senator, if he retires, he will have a very fine pension available to him.

Why we have to provide additional pensions is something I cannot understand. It may be that there are some needy persons who need help, but for the most part they are being taken care of by public welfare. If we are going to start providing pensions for persons whether they need it or not, where they may be drawing three different payments, one from the armed services as a retiree, one from the police association as a former policeman, another as a school-teacher or a former fireman, and in addition, provide \$66 for the man and his wife even though they might still be working and drawing a large income, I cannot hazard a guess where it will stop.

All of that is provided for by this measure. Further, if we are going to provide benefits at the age of 70, what is sacred about that number? Why not make it 35? Why not provide here and now that everyone shall draw a pension of \$1,000 a month and no one will have to work any more. It makes about that much sense.

Mr. ANDERSON. The Senator is talking theoretically. However, if I should retire, I would draw a pension from the Senate. I have also served 35 years as an officer of an insurance company and I would draw a pension from them. Therefore, why should I receive \$66 on this? I do not see it at all.

Mr. LONG of Louisiana. I agree with the distinguished Senator from New Mexico.

To me, it seems unnecessary to vote \$66 for Senators and their wives. To now accept the principle that everyone in good health, with plenty of money, and no need whatever, can receive a Federal benefit even though they are receiving two or three other pensions is disastrous. That is the one principle that seems to me, once we accept it in this vote; namely, that the Government will give us money whether we need it or not just cries out for everyone to dig into Uncle Sam's Treasury and take a barrelful of money home.

Once we adopt that principle, there will be little hope that the Government will ever be solvent.

Mr. DIRKSEN. Mr. President, will the Senator from Louisiana yield, without losing his right to the floor?

Mr. LONG of Louisiana. I yield for a question only, without losing my right to the floor.

Mr. DIRKSEN. Of course, because there must be an observation made here.

The PRESIDING OFFICER (Mr. RUSSELL of South Carolina in the chair). Does the Senator from Louisiana yield to the Senator from Illinois?

Mr. LONG of Louisiana. I yield, without losing my right to the floor.

Mr. DIRKSEN. The distinguished Senator from Louisiana cannot quarrel with me, because I gave him the vote. I share the logic which he has expressed but, of course, before us at the moment is the fact that here is a vote of 45 to 40. The Senate has voted. Now we are ready to reconsider the vote. I know of no good reason why we should not proceed with reconsideration, because the author of the amendment will so move, and we need not go through all

this argument again. We had it last year. We have it today. The amendment has been printed. It has been before the Senate for a long time.

Mr. LONG of Louisiana. Let me say that one of the finest speeches I heard in this body was made on the Republican side of the aisle by former Senator Homer Capehart. I recall, during one night session, he took the floor and stated, "Why do we do these things? Why don't we think?"

I should like to suggest that we think once in a while and have some idea of what we are voting on.

I did not debate the amendment in detail on it, because last year, by a vote of 55 to 36, the Senate rejected this very amendment. It was my thought that it was not necessary to go into great detail explaining the matter from the point of view of those opposed to it.

Mr. President, in due course, the motion to table will be made, but of course Senators know that once that motion is made, it is not debatable.

Mr. DIRKSEN. The Senator is correct.

Mr. LONG of Louisiana. I believe that I should have a word or two to say before that motion is made.

Mr. ANDERSON. The Senator knows, of course, that was a different situation last year. Last year was not an election year. [Laughter.]

Mr. MANSFIELD. Mr. President, will the Senator from Louisiana yield, without losing his right to the floor?

Mr. LONG of Louisiana. I yield to the Senator from Montana, under those conditions.

Mr. MANSFIELD. Is it not true that the adoption of this amendment will, as the distinguished Senator from Florida has stated, cost the Federal Treasury \$3.5 billion over the next 5 years?

Mr. LONG of Louisiana. Yes; the Senator is correct.

Mr. MANSFIELD. Is it not true that every Member of Congress, even though we have fairly good pension funds to which we all contribute, would become eligible either upon retirement or at the age of 65, I believe it is, to also receive an additional \$44 a month?

Mr. ANDERSON. Sixty-six dollars, with husband and wife.

Mr. LONG of Louisiana. It is \$44 plus \$22 for one's wife.

Mr. MANSFIELD. That would mean, then, that every Member of this body would be eligible, without having to pay one dime, if this amendment were adopted, and I would acquire an additional \$44.

Mr. LONG of Louisiana. Provided, of course, if we did not draw social security.

Mr. MANSFIELD. Let me say that I would hate to vote for such an amendment and then have to face my constituents who would know that I had voted a pension of \$44 for myself.

Mr. LONG of Louisiana. The Senator from Montana is correct.

Mr. PROUTY. Mr. President, will the Senator from Louisiana yield for a question, with the understanding that he will not lose his right to the floor?

The PRESIDING OFFICER. Does the

Senator from Louisiana yield to the Senator from Vermont under those conditions?

Mr. LONG of Louisiana. I yield, under those conditions.

Mr. PROUTY. Mr. President, the criticisms made about my proposal apply to the social security system itself. The social security system imposes no true means test. I am sure that my good friend from Louisiana recognizes that we should not try to establish a means test. If the Senator wishes to do anything about it at some time in the future, that is one thing; but let me point out—the Dominion of Canada pays to every individual 70 years of age or older, \$75 a month. It is certainly not the intention to add pensions to that of the distinguished Senator from Montana, or other Senators present. This is something that can be studied in the future, but it will mean changing the nature of the entire social security program to do it. What my amendment is intended to do is to take care of 1,500,000 elderly people 70 years of age or older who are desperate. There is no question about that. Do we want them to have a retirement annuity or do we want them to stand in the breadlines. If we wish to preserve some degree of human dignity in people who are retired—teachers and other professional people who were working before the social security program became effective, or were too old to qualify under the law which was approved last year, we can do it.

All of the associations of retired persons, the AFL-CIO, and the task force of the U.S. Chamber of Commerce feel that every older person should be brought in under the social security program.

I believe the actual cost of my program is going to be considerably less than the figure which has been mentioned by the distinguished Senator from Louisiana. I believe his figures have been inflated. I believe that it can be demonstrated quite effectively that that is the case.

Mr. President, I have placed many memoranda in the RECORD. I believe that Senators, if they were not in the Chamber at the time of this debate, will find that I justified the costs of a program in light of the old people who would be covered by this amendment.

I do not wish to continue this discussion. I am ready for the vote, when the Senator from Louisiana will permit me to do so, but I must say that this is unusual procedure.

Mr. LONG of Louisiana. Free debate has never been unusual. I have waited until the Senator was through speaking before I made the motion to table.

The Senator contends that I was in error in the estimate I made about one of his amendments. The Senator usually introduces his amendments on the floor and keeps changing them, which makes it rather difficult to know what the correct estimates are. The estimate I have, and one I made, came from someone regarded as the best man in the business—I am talking about Mr. Robert Myers, who estimated what this amendment would cost.

May I say that some things are a little bit difficult to explain. Here is amendment No. 490, which bears the Prouty name. It provides for monthly benefits of \$44 and \$22 for the spouse. This one says that everybody who has reached the age of 70 is entitled to the benefits. It does not limit it to American citizens. This amendment would make Mao Tse-tung eligible for the benefits. It would provide Khrushchev the benefits—

Mr. PROUTY. That is not the amendment before the Senate. Amendment No. 490 utilized an approach to eligibility paralleling the approach taken by the transitional insurance eligibility provisions of section 227 of the Social Security Act. Nevertheless, amendment No. 490 is not before the Senate.

Mr. LONG of Louisiana. It was introduced and I have it here in my hand.

Mr. PROUTY. That amendment has not been called up.

Mr. LONG of Louisiana. But here it is, and it provides that everybody in the world age 70 and over would be eligible for the \$44 monthly benefit and his spouse \$22.

Mr. MANSFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to, and I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. PROUTY. Mr. President, I move to lay that motion on the table, and I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on the motion to table the motion to reconsider.

The yeas and nays have been ordered.

Mr. DOUGLAS. Mr. President—

The PRESIDING OFFICER. The question is on the motion to lay on the table the motion to reconsider.

Mr. DOUGLAS. Mr. President, will the Chair state what is the question before this body?

The PRESIDING OFFICER. The Senate will be in order. The question is on the motion to table the motion to reconsider.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Idaho [Mr. CHURCH], the Senator from Nevada [Mr. CANNON], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Arizona [Mr. HAYDEN], the Senator from Minnesota [Mr. MCCARTHY], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Utah [Mr. MOSS], the Senator from Maine [Mr. MUSKIE], and the Senator from Missouri [Mr. SYMINGTON] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DOBB], and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

On this vote, the Senator from Connecticut [Mr. DOBB] is paired with the Senator from Missouri [Mr. SYMINGTON]. If present and voting, the Senator from Connecticut would vote "yea," and the Senator from Missouri would vote "nay."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The result was announced—yeas 44, nays 43, as follows:

[No. 48 Leg.]

YEAS—44

Aiken	Fong	Nelson
Allott	Gruening	Pearson
Bartlett	Hartke	Prouty
Boggs	Hickenlooper	Randolph
Brewster	Hruska	Ribicoff
Burdick	Jackson	Russell, S.C.
Byrd, W. Va.	Javits	Russell, Ga.
Carlson	Jordan, Idaho	Scott
Cooper	Kennedy, N.Y.	Simpson
Cotton	McIntyre	Smith
Curtis	Mondale	Sparkman
Dirksen	Morse	Tower
Dominick	Morton	Young, N. Dak.
Eastland	Mundt	Young, Ohio
Fannin	Murphy	

NAYS—43

Anderson	Inouye	Pastore
Bayh	Jordan, N.C.	Pell
Bennett	Kennedy, Mass.	Proxmire
Bible	Long, Mo.	Robertson
Byrd, Va.	Long, La.	Saltonstall
Case	Magnuson	Smathers
Clark	Mansfield	Stennis
Douglas	McClellan	Talmadge
Ellender	McGee	Thurmond
Ervin	McNamara	Tydings
Gore	Metcalf	Williams, N.J.
Harris	Miller	Williams, Del.
Hart	Monroney	Yarborough
Hill	Montoya	
Holland	Neuberger	

NOT VOTING—13

Bass	Hayden	Moss
Cannon	Kuchel	Muskie
Church	Lausche	Symington
Dodd	McCarthy	
Fulbright	McGovern	

So Mr. PROUTY's motion to lay on the table Mr. MANSFIELD's motion to reconsider the vote by which the Prouty amendment was adopted was agreed to.

CIGARETTES HAZARDOUS ONLY TO AMERICANS?

Mrs. NEUBERGER. Mr. President, on previous occasions, the distinguished chairman of the Committee on Commerce [Mr. MAGNUSON] and I have remarked on the rather odd spectacle of the Department of Agriculture sponsoring a cigarette-promotion film entitled "World of Pleasure," for distribution abroad and within our own country, in vivid contrast to the action taken last year by Congress and the Public Health Service to educate the public on the health hazards of smoking. It seems the height of bureaucratic madness for the Department of Agriculture to try to stimulate cigarette consumption in light of the evidence of the Surgeon General's report and the latest Hammond study of smoking among women that health risks are reduced as cigarette consumption is reduced.

An excellent review of what happened is found in an article by Don Oberdorfer, the reporter responsible for bringing this matter to our attention.

I ask unanimous consent that the article, published in the December 29 Akron Beacon-Journal, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Akron (Ohio) Beacon-Journal, Dec. 29, 1965]

WHILE FIGHTING SMOKING HERE, UNITED STATES AIDS CIGARETTE PROMOTION ABROAD WITH TAXPAYER DOLLARS

(By Don Oberdorfer)

WASHINGTON.—The U.S. Government is warning Americans against the dangers of cigarette smoking—but overseas it is quietly spending taxpayers' funds to subsidize cigarette commercials, and a slick new pro-smoking film, "World of Pleasure."

The cigarette promotion work is part of the product development program of the Foreign Agricultural Service, a branch of the U.S. Department of Agriculture. The aim is to sell more American tobacco abroad.

Just 770 pages down the street a newly created Public Health Service agency, the National Clearinghouse on Smoking and Health, is working hard to combat cigarette smoking at home. This effort was authorized by Congress after an official U.S. commission pronounced cigarettes to be a health hazard in early 1964.

For a time after the official smoking report, Secretary of Agriculture Orville Freeman banned new Government-sponsored cigarette promotions abroad. About 6 months ago, however, commitments began to be approved again.

During the current fiscal year, Uncle Sam is pouring \$210,000 into advertising to sell selected brands of cigarettes to the people of Japan, Thailand, and Austria. In each case, the cigarettes involved use substantial amounts of American leaf.

Among the U.S.-aided smokes are Peace, Hope, and Tokyo cigarettes in Japan, which will receive \$80,000 for advertising from Uncle Sam this year; Falling Rain and Gold City cigarettes in Thailand (\$75,000 from the United States); and Smart Export cigarettes in Austria (\$55,000). Where possible, payment is made in American-owned foreign currencies.

Some of the promotion money goes to foreign newspaper and magazine ads, but most is used for television. For example, U.S. Government funds help a Thailand cigarette sponsor a Thai version of "The Virginians," as seen on Bangkok television.

Foreign audiences are not told that Uncle Sam is subsidizing the ads. Nor do the cigarette packs involved bear the warning, required by Federal law after January 1, in the United States, that "cigarette smoking may be hazardous to your health."

The Federal money is funneled to foreign cigarette makers through four U.S. trade groups—Tobacco Associates Inc., Burley and Dark Leaf Tobacco Export Association, Leaf Tobacco Export Association, and Virginia Dark-fired and Sun-cured Export Association.

The trade groups hire U.S. advertising agencies with their own funds to help prepare and to supervise the subsidized ads.

Meanwhile, operating through the same trade groups, the Agriculture Department is subsidizing a new Warner Brothers film, "World of Pleasure," to be shown in England, France, Belgium, Germany, Austria, The Netherlands, Denmark and Egypt.

The United States is paying \$106,000 in foreign currency for its share of the film. In a contract with Warner Brothers, the trade groups add a contribution of their own. The industry-furnished sum is "a trade secret," according to John D. Palmer, president of Tobacco Associates.

A script of the 23-minute technicolor film on hand at the Agriculture Department contains scenes such as this:

"A young man and girl (over 21) run up to the surf and light and enjoy cigarettes as they look at the sea. Boy offers pack. Girl takes two cigarettes, placing one on boy's lips, one in her own. They light up, enjoy their cigarettes."

According to Hugh C. Kiger, director of the Tobacco Division of the Foreign Agricultural Service, the contract promises that Warner Brothers will distribute the film abroad as a short subject with its theatrical features.

Moviegoers will not be informed that it is subsidized by Uncle Sam or the U.S. tobacco industry, since officials feel this would negate the value of the "soft sell."

Foreign audiences will have to guess why "Word of Pleasure," which purports to be a travelog, shows an attractive Egyptian couple lighting up beside the Pyramids, a French couple smoking at the Eiffel Tower, and so on.

Mrs. NEUBERGER. Mr. President, last week, the junior Senator from Tennessee [Mr. Bass] said that this whole issue was "much ado about nothing." He suggested that as the Department of Agriculture promotes other agricultural products abroad, such as wheat and cotton, it could not discriminate against tobacco; that the film in question, "World of Pleasure," was contracted for and filmed prior to the issuance of the Surgeon General's report and the action of Congress on cigarette health hazards; that not one American dollar was spent on the making of the film, but rather that foreign currencies or counterpart funds were used; that Congress specifically excluded the health-hazard label from cigarettes manufactured for export; that the film was not to be directed to those countries which have a national policy of discouraging smoking; that the film was an innocent travelog showing occasional couples smoking; and that there was no hard sell attempt anywhere.

I should like to offer a few observations on the points raised by the Senator from Tennessee. I am completely unmoved by the contention that because promotional films are sponsored by the Department of Agriculture for other crops, the Department is unable to discriminate against tobacco. It is quite true that the Department is charged with administering tobacco exports, but the Secretary is certainly not obligated to make Hollywood productions in support of that program. The Department exercises its judgment as to whether or not it will use films, and in this instance its judgment was very poor. The second defense is even more singular in its logic. The fact that the film was made prior to the issuance of the Surgeon General's report and the actions of Congress and the Public Health Service is no conceivable justification for its distribution afterward. One might just as well say that because thalidomide was produced and used prior to the knowledge of its tragic consequences, it ought to continue to be promoted. Besides, the contract did not call for the completion of the foreign language prints of the film until after the January 11, 1964, issuance of the Surgeon General's report.

It is true that the \$106,000 that the Department of Agriculture spent for the film, "World of Pleasure," was from counterpart funds, or soft currency. How this is supposed to mitigate the judgment of the Department of Agriculture to continue to promote this film I cannot imagine. The question, after all, is not how much money was spent making the film, but whether or not the

U.S. Government ought to be officially promoting cigarette sales abroad. But if the financing issue is to be raised, since when are counterpart funds placed in the category of play money? There are plenty of uses to which the funds could be put in Egypt to raise the standards of living and education, and I doubt whether all the problems of man have been solved in the 14 European nations named in the contract.

I find it incredible that the exemption of cigarettes for export from the Cigarette Labeling Act should be cited as justification for the promotion of cigarette sales abroad. After all, a warning in English is not going to do an Austrian or a Swede much good, and the exemption most assuredly does not reflect a congressional determination that cigarettes are hazardous only to Americans.

The contention that the film was not to be directed to those countries which have a national policy of discouraging smoking is not borne out by an examination of the actual contract for the film. Article IV of the contract states:

The contractor, will provide for and make complete distribution arrangements through its worldwide organization for the films to be shown in theaters and made available for television showings through its distribution affiliates in the following countries: England, Scotland, Ireland, West Germany, Austria, The Netherlands, Belgium, France, Luxembourg, Switzerland, Norway, Denmark, Finland, Sweden, Egypt. The contractor shall have the right, but shall not be obligated, to distribute the film in all other parts of the world outside of the United States and Canada.

That certainly appears to mean that they are obligated to show them in the 15 countries just enumerated. Yet we all know that several of those countries have policies opposed to the consumption of cigarettes. Incidentally, that the film was to be shown only abroad is not made clear by the memorandum of agreement on the film between the Department of Agriculture and the tobacco cooperators. The memorandum states:

The U.S. Department of Agriculture shall also have the right to make, distribute, and sell prints at cost or otherwise make use of the film in the United States.

The film itself is in no danger of winning any Academy Awards. It gives the appearance of having been created by splicing together several film clips of old travelogs. The narrative that is spoken with it is a model of banality. The fact that it is a bad film does not excuse the judgment of those who still wish to use it to promote cigarette sales. Simply put, the U.S. Government has no business sponsoring films, good or bad, with the purpose of increasing the consumption of cigarettes.

Mr. President, I ask unanimous consent that the text of the contract for the film, the memorandum of agreement on the film, an article from the March 5 New Republic, a February 18 editorial from the Washington Post, and an editorial from the New York Times be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CONTRACT

The Burley & Dark Leaf Tobacco Export Association, Inc.; Leaf Tobacco Exporters Association, Inc.; Tobacco Associates, Inc.; and Virginia Dark-Fired and Sun-Cured Tobacco Export Association, Inc.; in furthering their cooperative projects with the Foreign Agricultural Service, U.S. Department of Agriculture, desire to have produced a series of tobacco motion pictures for theatrical and television distribution overseas to promote and expand the consumption of U.S. tobacco abroad.

This contract is entered into by and between the Burley & Dark Leaf Tobacco Export Association, Inc.; Leaf Tobacco Exporters Association, Inc.; Tobacco Associates, Inc.; and Virginia Dark-Fired and Sun-Cured Tobacco Export Association, Inc.; hereinafter called the U.S. tobacco cooperators represented by its authorized representatives executing this contract, and Warner Bros. Pictures, Inc., a Delaware corporation; hereinafter called the contractor. The parties hereto agree that the contractor will produce and distribute a series of films for the purpose of promoting exports of U.S. leaf tobacco in the foreign countries in accordance with the provisions set forth in the articles of the contract:

ARTICLE I—FILM PRODUCTION REQUIREMENTS

The parties agree that the contractor will produce a series of six motion pictures in six different language versions in accordance with the requirements listed below. Each film is to be 10 minutes in total running time and will be designed to include the same basic 7 minutes of visual story photographed in the United States.

The remaining 3 minutes of visual story will be photographed in the countries in Europe and the Middle East listed in section C1 of this article.

(A) From ideas proposed by the U.S. tobacco cooperators in conferences in Washington, D.C., contractor will prepare and submit draft copies of the shooting script for review and upon approval will prepare and submit copies of the final shooting script for review and approval prior to the start of photography on location.

Once the final script is approved, the contractor will be permitted to make only limited changes to improve the picture with photographic opportunities that present themselves and provided permission is obtained from the technical adviser (see sec. B below).

(B) In the various countries where photography and sound recordings are made, the U.S. tobacco cooperators or the U.S. agricultural attachés, when so requested, will serve as technical advisers on subject matter, and local customs and habits, and maintain liaison with foreign government agencies in regard to photographic restrictions or problems, all without cost to contractor.

Except for stockfootage showing tobacco in Connecticut, the contractor will photograph the films on original 35 millimeter Eastman color stock in accordance with the production breakdown and shooting schedule to be submitted and approved by the U.S. tobacco cooperators prior to the start of photography.

1. The photography will be accomplished by the contractor in the following locations:

- (a) United States, particularly Richmond, Jamestown, Williamsburg, and Newport News, Va.; Raleigh, Winston-Salem, N.C.; Lexington and Hopkinsville, Ky.
- (b) United Kingdom.
- (c) Norway and/or Sweden and/or Denmark and/or Poland.
- (d) France and/or Belgium.
- (e) The Netherlands.
- (f) West Germany and/or Austria.
- (g) Egypt, United Arab Republic.

2. The contractor will provide all film, tapes, reels, in addition to cans and shipping

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
TO BE QUOTED OR CITED)

Issued March 10, 1966
For actions of March 9, 1966
89th-2nd; No. 42

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HIGHLIGHTS: Senate passed tax bill with provision re USDA statements on payments to farmers. Sens. Proxmire and Pell criticized school milk budget cut. Sen. Bass commended proposed community development districts proposal. Rep. May criticized "recent sugar quota actions." Rep. Nelson criticized administration's "corn dumping."

SENATE

1. TAXATION. Passed, 79 to 9, with amendments H. R. 12752, the proposed Tax Adjustment Act of 1966, which includes a provision for the graduated withholding of income tax from wages, and a requirement that this Department, in the case of payments made under programs it administers, supply farmers with copies of any statements which under present law it must send to the Internal Revenue Service (pp. 5219-43, 5247-63). Conferees were appointed (p. 5263). House conferees have not yet been appointed.

2. FOREIGN AID. The Foreign Relations Committee reported without amendment H. R. 12169, to authorize supplemental appropriations for the foreign aid program (S. Rept. 1060) (p. 5180). This bill was made the unfinished business (pp. 5263-4).
3. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 432, to amend the Federal Employees Group Life Insurance Act and the Civil Service Retirement Act with regard to designation of beneficiaries; H. R. 969, to authorize redetermination under the Civil Service Retirement Act of annuities to certain reemployed annuitants; H. R. 1647, to authorize payment of back pay and restoration of employment benefits to certain employees who were improperly deprived thereof by unwarranted personnel actions; H. R. 1746, with amendment, to define "child" under the Civil Service Retirement Act to include adopted child but not stepchild for lump-sum benefits; and H. R. 6926, with amendment, to strengthen the financial condition of the Federal employees' insurance fund by authorizing Federal contributions thereto. p. D184
4. CRIME, CIVIL SERVICE. Both Houses received the President's message on crime in which he stated he was directing the Chairman of the Civil Service Commission to reexamine the policies of all Federal departments and agencies regarding the hiring of released "good risk" offenders (H. Doc. 407); to Judiciary Committees. pp. 5146-9, 5174-7
5. POVERTY PROGRAM. Received from the Office of Economic Opportunity a proposed bill "to provide for continued progress in the Nation's war on poverty"; to Labor and Public Welfare Committee. p. 5179
6. SCHOOL MILK; CHILD NUTRITION. Sens. Proxmire and Pell criticized the school milk budget cut and the proposed child nutrition program. pp. 5196-7, 5201
7. COMMUNITY DEVELOPMENT DISTRICTS. Sen. Bass commended the President's community development districts proposal to aid in the economic development of rural areas and inserted editorials commending the proposal. pp. 5201-2
8. SOIL AND WATER CONSERVATION. Sen. Long, Mo., commended the action of the Mo. State Soil and Water Districts Commission in authorizing three new soil and water conservation districts in the State. pp. 5197-8
9. COMMODITY RESERVES. Sens. Hartke, McCarthy, Moss, and Nelson were added as co-sponsors of S. 2995, to authorize the President to establish and maintain reserve stocks of agricultural commodities for national security. p. 5188
10. EDUCATION. Sens. Dominick and Tower protested the budget cut in Federal aid to schools in federally impacted areas. pp. 5188-9, 5205-6

HOUSE

11. SUGAR. Rep. May inserted a letter from her and 25 other Representatives to Secretary Freeman in "strong protest against recent sugar quota actions" taken by the Department in its administration of the Sugar Act. pp. 5150-56
12. CORN. Rep. Nelsen criticized the CCC corn "dumping" and inserted a letter from a Minn. farmers' co-op elevator and mill stating that it "is discriminating

migration policy, both in his role in the enactment of the historic 1965 immigration legislation and in his role in the formulation and application of our Nation's visa policy. His departure is a loss of the Government he served and to this Nation of immigrants.

I ask unanimous consent that there be placed in the RECORD at the close of my remarks an article which appeared in the New York Times on March 7, reporting Mr. Schwartz' resignation. It describes in more detail the reasons why the resignation is such a loss to the Government and the people of the United States.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

EXPERT ON REFUGEE AFFAIRS QUILTS OVER RUSK PLAN TO ABOLISH POST

(By Max Frankel)

WASHINGTON, March 6.—Abba R. Schwartz, a vigorous advocate of liberal immigration, travel, and refugee policies in the Kennedy and Johnson administrations, has been forced out of his high post in the State Department.

Mr. Schwartz submitted to the White House last night his resignation as Administrator of the Bureau of Security and Consular Affairs. He said it had been offered 24 hours after he learned that he was to be the principal victim of a reorganization to abolish his Bureau.

The reorganization was described to him as an economy measure. He said it had been planned for "many, many months" without his knowledge and had the approval of Secretary of State Dean Rusk.

The State Department had no comment. A spokesman referred all questions to Mr. Schwartz.

Some high officials said they were too upset by the affair to discuss it. One described it as "shabby," another as "scandalous." Mr. Schwartz, who is 49 years old, was the principal architect of changes last year in the immigration law that abolished restrictive quotas limiting admission to the United States for certain nationality groups. He also has long worked on measures to liberalize regulations governing the issuance of passports and to eliminate travel restrictions upon Americans.

Most recently, Mr. Schwartz is said to have used his wide contacts in international refugee and Red Cross circles to try to negotiate the release of more than 200 Americans being held prisoner by the Vietcong or North Vietnamese forces. He has been described as the Government's only link to these secret negotiations.

Together with Dr. Howard A. Rusk, director of the Institute of Physical Medicine and Rehabilitation at the New York University Medical Center, Mr. Schwartz has also worked to promote new programs of help for refugees in South Vietnam.

He was a principal negotiator of the accord with Cuba under which about 10,000 Cubans have been admitted to the United States in recent months. He has also administered American participation in worldwide efforts to relieve the plight of refugees and other displaced persons.

These have been his principal duties as head of the Bureau of Security and Consular Affairs. Security programs were removed from the Bureau before his arrival in September 1962, but he had charge of the visa and passport offices, an office protecting the interest of Americans overseas and one for refugee and immigration affairs.

Mr. Schwartz was the first person to hold the post with a Presidential appointment, requiring Senate confirmation, with the rank of Assistant Secretary of State.

He was a close associate of President Kennedy and his brother, Senator ROBERT F. KENNEDY. Mr. Schwartz brought to the job the twin credentials of long service for liberal causes under the tutelage of Mrs. Franklin D. Roosevelt and the warm endorsement of Representative Francis E. Walter, chairman of the House Un-American Activities Committee, who was a zealous congressional guardian of immigration policies.

Before joining the Government, Mr. Schwartz practiced law in Washington in the firm of Landis, Cohen, Rubin & Schwartz and became one of the Nation's recognized experts on refugee and immigration matters and prisoner-of-war questions.

He was an early member of Americans for Democratic Action, a liberal wing of the Democratic Party, and first became a friend of Mrs. Roosevelt while promoting programs to help refugees from Nazi Germany. He was befriended by Mr. Walter, a Pennsylvania Democrat, while counsel to the United Nations International Refugee Organization and legal adviser to the Intergovernmental Committee for European Migration.

Once in the Government, he soon became embroiled in a series of controversies.

There has been an almost constant feud with Mrs. Frances G. Knight, director of the passport office, his subordinate, who protested, among other things, what she called the "dangerous" policy of letting suspected Communists obtain passports unless they were given an opportunity of facing their accusers.

Mr. Schwartz has had many brushes with congressional security investigators. He is thought to have encountered frequent resistance inside the State Department in efforts to abolish U.S. bans on travel to Communist China and other Communist-held territories.

He refused to comment today, however, when asked what quarters or issues he believed had inspired the move to eliminate his job. Other sources said they believed past conflicts and not "economy" had led to the reorganization.

Mr. Schwartz said he had not seen the reorganization plan but understood that his Bureau's major functions were to be placed under the office of the Deputy Under Secretary for Administration, William J. Crockett. Organizationally, Mr. Crockett already had supervision over the Bureau, so the main result of its abolition will be the removal of Mr. Schwartz.

Although the change, in effect, will amend the Immigration and Nationality Act that created the Bureau, the administration was said to be submitting it to Congress as a reorganization matter. Unless Congress objects, the change will take effect 60 days after submission.

Secretary Rusk and White House aids having long ago approved the change, Mr. Schwartz said, it appeared to be only a matter of days before the plan would be sent to Capitol Hill.

He said he had first learned of the plan a few hours after his return Thursday night from a confidential mission abroad and was officially informed Friday.

Apparently no effort was made to discourage his resignation.

"I knew nothing about it whatsoever," Mr. Schwartz said.

He said he had made no other plans so far and was awaiting word from the White House on the effective date of his departure.

NAVY UNIT COMMENDATION AWARD TO U.S.S. "GENESEE"

Mr. KENNEDY of New York. Mr. President, I would like to call to the attention of my colleagues the action of the

Secretary of the Navy in awarding to the U.S.S. *Genesee*, a Navy gasoline tanker in operation in Vietnam waters, the Navy Unit Commendation.

The U.S.S. *Genesee* (AOG-8) was named after the Genesee River which runs through the beautiful Genesee Valley in southwestern New York State. I know that the people of the Genesee Valley and of New York State join me in expressing our gratitude and appreciation for the excellent job performed by the men of the U.S.S. *Genesee*.

While serving a record 120 consecutive days on station supporting forces at Chu Lai and Da Nang, the 1,800-ton tanker pumped over 9.8 million gallons of petroleum fuel, and over 2 million gallons of salt water to help pack down the new airstrip at Chu Lai. In recognition of this record, Secretary of the Navy Paul Nitze awarded the U.S.S. *Genesee* the Navy Unit Commendation.

I ask unanimous consent that the citation for the U.S.S. *Genesee* be inserted in the RECORD and ask my colleagues to join me in this tribute to the U.S.S. *Genesee*.

There being no objection, the citation was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF THE NAVY,
Washington, D.C.

The Secretary of the Navy takes pleasure in commending U.S.S. *Genesee* (AOG-8) for service as set forth in the following citation:

For exceptionally meritorious service while acting as fuel supply ship for the 3d Marine Amphibious Force in the Republic of Vietnam from May 23 to September 25, 1965. During this period, U.S.S. *Genesee* contributed materially to the success of military operations by delivering over 9.8 million gallons of petroleum fuel, pumping over 2 million gallons of salt water to aid in airstrip construction, delivering diesel fuel from her bunkers, and maintaining the bottom lay fuel lines on a most demanding schedule and frequently under most adverse weather conditions in an open sea anchorage. While skillfully and efficiently performing these various tasks, the officers and men of U.S.S. *Genesee* maintained their ship in a completely operational and combat-ready status. Their determined and inspiring efforts were in keeping with the highest traditions of the U.S. Naval Service.

All personnel attached to and serving on board U.S.S. *Genesee* during the period designated above, or any part thereof, are hereby authorized to wear the Navy Unit Commendation Ribbon.

PAUL H. NITZE,
Secretary of the Navy.

CONCLUSION OF MORNING BUSINESS

The-PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

TAX ADJUSTMENT ACT OF 1966

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 12752) to provide for

graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. RIBICOFF. Mr. President, I call up my amendment, No. 496.

The PRESIDING OFFICER. The amendment offered by the Senator from Connecticut will be stated.

The legislative clerk proceeded to read the amendment.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with, and that it be printed in the RECORD at this point.

There being no objection, the amendment (No. 496) offered by Mr. RIBICOFF, for himself and other Senators, was ordered to be printed in the RECORD, as follows:

At the end of the bill insert the following new section:

"SEC. —. INCOME TAX CREDIT FOR CERTAIN EXPENSES INCURRED IN PROVIDING HIGHER EDUCATION.

"(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 39 as 40, and by inserting after section 38 the following new section:

"SEC. 39. EXPENSES OF HIGHER EDUCATION.

"(a) GENERAL RULE.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount, determined under subsection (b), of the expenses of higher education paid by him during the taxable year to one or more institutions of higher education in providing an education above the twelfth grade for himself or for any other individual.

"(b) LIMITATIONS.—

"(1) AMOUNT PER INDIVIDUAL.—The credit under subsection (a) for expenses of higher education of any individual paid during the taxable year shall be an amount equal to the sum of—

"(A) 75 percent of so much of such expenses as does not exceed \$200.

"(B) 25 percent of so much of such expenses as exceeds \$200 but does not exceed \$500, and

"(C) 10 percent of so much of such expenses as exceeds \$500 but does not exceed \$1,500.

"(2) PRORATION OF CREDIT WHERE MORE THAN ONE TAXPAYER PAYS EXPENSES.—If expenses of higher education of an individual are paid by more than one taxpayer during the taxable year, the credit allowable to each such taxpayer under subsection (a) shall be the same portion of the credit determined under paragraph (1) which the amount of expenses of higher education of such individual paid by the taxpayer during the taxable year is of the total amount of expenses of higher education of such individual paid by all taxpayers during the taxable year.

"(3) REDUCTION OF CREDIT.—The credit under subsection (a) for expenses of higher education of any individual paid during the taxable year, as determined under paragraphs (1) and (2) of this subsection, shall be reduced by an amount equal to 1 percent of the amount by which the adjusted gross income of the taxpayer for the taxable year exceeds \$25,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) EXPENSES OF HIGHER EDUCATION.—The term "expenses of higher education" means—

"(A) tuition and fees required for the enrollment or attendance of a student at a level above the twelfth grade at an institution of higher education, and

"(B) fees, books, supplies, and equipment required for courses of instruction above the twelfth grade at an institution of higher education.

Such term does not include any amount paid, directly or indirectly, for meals, lodging, or similar personal, living, or family expenses. In the event an amount paid for tuition or fees includes an amount for meals, lodging, or similar expenses which is not separately stated, the portion of such amount which is attributable to meals, lodging, or similar expenses shall be determined under regulations prescribed by the Secretary or his delegate.

"(2) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" means an educational institution (as defined in section 151(e)(4))—

"(A) which regularly offers education at a level above the twelfth grade, and

"(B) contributions to or for the use of which constitute charitable contributions within the meaning of section 170(c).

"(d) SPECIAL RULES.—

"(1) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS' BENEFITS.—The amounts otherwise taken into account under subsection (a) as expenses of higher education of any individual during any period shall be reduced (before the application of subsection (b)) by any amounts received by such individual during such period as—

"(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which under section 117 is not includible in gross income, and

"(B) education and training allowance under chapter 33 of title 38 of the United States Code or educational assistance allowance under chapter 35 of such title.

"(2) NONCREDIT AND RECREATIONAL, ETC., COURSES.—Amounts paid for expenses of higher education of any individual shall be taken into account under subsection (a)—

"(A) in the case of an individual who is a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate or higher degree, and

"(B) in the case of an individual who is not a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction necessary to fulfill requirements for the attainment of a predetermined and identified educational, professional, or vocational objective.

"(3) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxpayer for the taxable year by this chapter, reduced by the sum of the credits allowable under this subpart (other than under this section and section 31).

"(e) DISALLOWANCE OF EXPENSES AS DEDUCTION.—No deduction shall be allowed under section 162 (relating to trade or business expenses) for any expense of higher education which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed under subsection (a). The preceding sentence shall not apply to the expenses of higher education of any taxpayer who, under regulations prescribed by the Secretary or his delegate, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"(f) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section.

"(b) The table of sections for such subpart A is amended by striking out the last

item and inserting in lieu thereof the following:

"SEC. 39. Expenses of higher education.

"SEC. 40. Overpayments of tax."

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1966."

Mr. RIBICOFF. Mr. President, this amendment will provide an income tax credit for college tuition costs. The credit is based on the first \$1,500 paid for tuition, fees, books, and supplies for any student at an institution of higher education. The amount of the credit is 75 percent of the first \$200, 25 percent of the next \$300, and 10 percent of the next \$1,000. The maximum credit is \$325.

The credit is not a deduction. It is a subtraction from the amount of taxes an individual would otherwise pay. It is subtracted at the end after he has computed his tax liability. Thus, because each \$1 of credit reduces a person's tax by \$1, the tax relief is provided uniformly without regard to the taxpayer's bracket. Thus, while a deduction or exemption saves a \$15,000 a year man more tax dollars than one who earns \$5,000, a tax credit saves both the same number of dollars.

Sixty-two percent of these benefits go to families earning between \$3,000 and \$10,000 a year. A special provision cuts out the wealthy person. The amount of credit is reduced by 1 percent of the amount by which the taxpayer's adjusted gross income exceeds \$25,000. Thus, for each \$5,000 of adjusted gross income above \$25,000, \$50 is subtracted from the credit otherwise available. In this manner, the credit gives less dollar benefits to upper-middle-income groups and no benefits at all to high income groups.

Mr. President, the cost of this amendment has been the source of considerable confusion. I have heard it said that this amendment would take away \$1 billion from the \$6 billion raised by this bill to finance the fighting in Vietnam. The facts are these:

The bill, as reported by the Senate Finance Committee, would provide \$1.1 billion for fiscal year 1966. It would provide \$4.8 billion for fiscal year 1967, which I point out, ends in June, 1967.

I have supported and still support the efforts to raise the money required by this bill.

My amendment is carefully drawn so as not to jeopardize the money-raising purpose of this bill. The tuition tax credit provided by my amendment does not go into effect until 1967. The credit will first be available for tuition paid in calendar year 1967. It will therefore first appear on the individual returns filed in 1968. It therefore does not jeopardize the purpose of this bill.

It should further be noted that a budget surplus has been predicted for 1968.

I therefore feel that this Nation can well afford to support the blue-collar workers, the white-collar workers, the salaried persons of the lower and middle income groups who are struggling to pay their bills, buy their homes, and educate their children.

These are the people who pay their taxes and for whom a \$10,000 burden to

educate a child—multiplied by several children—over a few short years constitutes a major financial crisis of their lifetime.

The Treasury Department has estimated that the cost of this amendment will rise to \$1.3 billion by 1970. I believe that this Nation can well afford to provide this amount by 1970, to foster the education of our young people.

Let me further set the record straight. The distinguished junior Senator from Louisiana has stated that the amount of credit available on a tuition payment of \$750 is \$175. With all due respect to my very distinguished colleague, he misunderstands the amendment. The credit on \$750 is \$250, not \$175.

The junior Senator from Louisiana feels that \$250 of assistance is no help in getting through a college year. I agree that the benefits of this bill are certainly of no significance to the wealthy. But to the student working summers and evenings to put himself through, this amount cannot help but be of great encouragement to him.

To the family making \$8,000, with three or four children to raise and put through college at \$10,000 per child, I believe this encouragement will mean a great deal. The vast majority of the 5 million students in college today are not wealthy and to the vast majority of these students the benefits of this bill will be very significant.

To further correct the RECORD, I must also point out that the junior Senator from Louisiana misunderstands my amendment when he states, on page 4979 of the RECORD, that:

The tax credit would be available to any taxpayer who legitimately may claim the student as dependent of his on his income tax return.

The amendment is not so limited. It clearly is available to anyone who pays tuition expenses for higher education for himself or any other purpose.

Thus the benefits are clearly available to students who are working to put themselves through school. It is not limited to parents. It would also encourage the giving of scholarships by individuals to designated deserving students.

It has also been argued that if this amendment is passed, college tuitions will go up. Mr. President, college tuitions are going up whether this amendment is passed or not. This amendment is merely designed to provide relief as the squeezing of our lower income families gets tighter.

The U.S. Office of Education has stated that annual current expenditures by institutions of higher education rose from \$3.6 billion in 1954-55 to an estimated \$9.7 billion in 1964-65—an increase of 169 percent. Rising enrollment combined with an increasing cost per student is expected to cause current annual expenditures to climb to \$20.1 billion in 1974-75.

The annual cost per student education rose from \$881 in 1954-55 to an estimated \$1,220 in 1964-65 and is expected to climb to \$1,537 by 1974-75.

This amendment provides credits against tuition paid only in nonprofit institutions as defined by the Internal

Revenue Code. These institutions are going to raise their fees to cover increasing needs. There will be no increase of profits to shareholders or others. This amendment will not cause tuition increases, it merely recognizes them.

Proponents of the bill have stated that "many college administrators" oppose this plan.

Mr. President, I have a telegram which I ask to be printed in the RECORD, which reads:

Recent poll by Citizens National Committee for Higher Education of college presidents and trustees indicates 4,056 in favor and 401 against the Ribicoff-Dominick amendment for tuition tax credits. Parents need help. More scholarships can be provided. Please support this amendment.

The overwhelming majority of college presidents and trustees recognizes the problems, the crisis in education today. They overwhelmingly support the tuition tax credit as a practical nondiscriminatory, nonbureaucratic essential step toward a solution.

Even today, some people are required to pay more than \$3,000 a year in total college expenses. The College Scholarship Service reported that the median of income for students applying for scholarships was \$8,436. The hardships are real, the inequity exists. This is simply good tax law. We recognize the financial hardships caused by medical expenses, by hurricanes, by floods, by business losses, by bad debts, even the payment of taxes. It makes sense and it is fair and equitable that we recognize the extraordinary cost of providing a college education. The working people are taxed again and again.

The distinguished junior Senator from Louisiana stated the case well in a colloquy with Secretary Fowler at the hearings on the proposed Tax Adjustment Act of 1966, when he stated:

An increase in interest rates of one-half of 1 percent, when passed on throughout the economy, means about a \$7 billion tax on the rank and file of the people, the working class—generally speaking, the middle and lower income classes of people.

These are exactly the people I am trying to help. If the rise in interest rates cost them \$7 billion this year, surely we can give them \$1 billion in tax relief.

Increased social security taxes will take another \$6 billion a year.

Sometime we must squarely face the issue of providing tax relief to ease the heavy burden of college costs.

The people who are in desperate need of the relief provided by this amendment are the lower and middle-income groups of the United States. The amendment is designed to provide them with the relief they need. The wealthy need no relief and this amendment gives them none.

Mr. President, the Hartford, Conn., Courant of March 7 contains a very interesting editorial on this subject. I ask unanimous consent that it be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

TUITION TAX CREDIT AGAIN IN TROUBLE

Parents with modest incomes and children who are going to college, will applaud the efforts of Senator RIBICOFF who again is seek-

ing to get tax relief through tuition credits written into the income tax law. At the last session of Congress he lost by only a small majority. He has again lost another skirmish, this time in committee when a majority voted against the plan. He now plans to go to the floor in an attempt to add his tax-credit plan to the administration tax bill.

Mr. Ribicoff's amendment would allow credits against income taxes due on a sliding scale geared both to college costs, including tuition, books, and supplies, and to the adjusted gross income of the person paying the college costs. These credits would be permitted on a sliding scale, with a maximum tax credit of \$325 for the first \$1,500 of college expenses.

Strangely enough the greatest foe of the Ribicoff plan is the Treasury Department, which sees in it a reduction of about a billion dollars in income-tax receipts. At the last session, while there was great sympathy among Members of Congress, some strong arm twisting resulted in the defeat of the measure. If it is defeated again it will not be because the bill is not equitable, but for reasons of expediency.

This is, of course, only one instance of where the income tax law works a hardship on people of modest means. On the other side of the spectrum is that group of millionaires who actually pay no income tax at all. Then there are the fat-cat Texans with their oil-depletion allowances. All these special-interest groups are treated tenderly. But when it comes to poor, hardworking Joe Doakes, who is trying manfully to educate his children, Congress turns a cold shoulder. Let us hope Mr. RIBICOFF is lucky this time. Let the Treasury work on oil depletion to make up for the deficit.

Mr. MANSFIELD. Mr. President, will the Senator yield without losing his right to the floor?

Mr. RIBICOFF. I yield.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIBICOFF. Mr. President, last Friday I made my major speech on the amendment now before the Senate. I would like to emphasize a few points.

First, the question has been raised whether this amendment will cut \$1 billion from the money to be raised by this bill to fight the war in Vietnam. It should be pointed out that the purpose of this bill is to raise \$6 billion in the fiscal years 1966 and 1967. The floor manager of the bill so stated on page 4720 of the CONGRESSIONAL RECORD of last Friday.

The tuition tax credit involved in this amendment has been so drawn that it applies only to tuition paid in 1967 and thereafter. Thus, the tax credit will first appear on the tax returns filed in 1968.

It should also be noted that a budget surplus in 1968 has been predicted. This will be found on page 4943 of the CONGRESSIONAL RECORD of Monday, March 7, 1966.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. How large a budget surplus is predicted?

Mr. RIBICOFF. I will use the Senator's own figures, as shown on page 4943 of the RECORD. I quote the distinguished Senator who asked the question:

In fiscal year 1968, after the impact of these new tax provisions, the continuing growth of the economy will continue to generate its normal growth of Federal tax receipts—about \$7½ billion a year. This increase will be large enough to provide a budgetary surplus in 1968 if the presently projected level of Federal expenditures, including Vietnam costs, can be maintained.

I have assumed that the distinguished floor manager, who is the chairman of the Finance Committee, knew what he is talking about when he made that statement. I am using that statement.

Mr. LONG of Louisiana. I did not ask the questions without having knowledge as to what the answer would be.

For the RECORD I wish to make it clear that that is what we hope to do. Let us face it. The Prouty amendment we voted yesterday would increase the cost of the Government by \$700 million. Congress voted to increase the President's request in connection with the GI bill proposal by a couple of hundred million dollars. There is a billion dollars. There is also going to be a Federal pay raise bill this year that will cost more than a billion dollars.

There are certain economies that the President is recommending, such as the one concerning the REA program, which probably will not take effect because Congress will balk.

There is also the President's proposal to economize on the school lunch and school milk programs, I guarantee the Senator that these proposals will not carry.

We are already faced with expenditures that exceed the President's requests. It appears logical that even if we do not increase expenditures in Vietnam, the deficit in the budget to the extent Congress adds to the expenditures or reduces the revenues proposed by the President.

Mr. RIBICOFF. That may be so, but I have tried to act responsibly on this amendment, taking into account the administration's need for revenue because of the situation in Vietnam. Consequently, I have deferred the impact of the effect of this amendment to the tax returns filed in 1968. To this extent I have gone along with the desire of the administration and the distinguished floor manager of the bill, taking into account what they are trying to do to preserve the revenues for 1966 and 1967.

To anticipate what will happen 3 years from now is difficult. However, my amendment is responsible in that it will not have an effect on 1966 or 1967.

The amendment has been referred to as a "rich man's bill." I would like to point out the fact that the bill is so drawn that 62 percent of the benefits go to families earning between \$3,000 and \$10,000 a year. Ninety-one percent of the benefits will go to persons with family income of less than \$20,000 a year.

It is said that the amendment does not help families too poor to pay college tuition for their children.

Last year Congress passed a program providing for 140,000 scholarships. These Federal scholarships go to low-income families. I voted for and supported that proposal. As a matter of fact, I refrained from placing my amendment on that bill, keeping in mind that I did not want to jeopardize the Federal scholarship program because I considered it essential.

It should also be noted that the tuition tax credit would provide a lessening of the pressure on present scholarship funds and encourage individuals to give designated scholarships to deserving students.

It is said in argument against this bill that private colleges are favored.

A study of the entire bill shows that the tax credit provision is weighted in favor of the public and land-grant colleges. The credit is based on 75 percent of the first \$200 of tuition, 25 percent of the next \$300, and only 10 percent of the next \$1,000. Thus, lower tuition schools get a higher percentage of the benefits than higher tuition schools.

One of the great difficulties of education is the high cost to a family in the middle-income group, who suddenly find themselves faced with high expenditures to educate their children.

A report by the College Scholarship Service, which assists many universities and colleges to determine which students are entitled to help, shows that a family—a husband and wife with one child in college—with income before taxes of \$6,000 a year, is expected to contribute \$790 a year to the support of their child in college. A family earning \$8,000 a year is expected to contribute \$1,290 to support their child in college.

When one considers this family, with all of the other expenses, burdens, and the taxes, one realizes the large expense they must undertake to send a child to college.

In the past decade 400 measures have been introduced in the Senate and the House of Representatives concerning tax relief for college students.

Up until 1964, none of these measures had ever been called up for a vote. Many of us—and I am glad to have the able assistance and support of the distinguished Senator from Colorado [Mr. DOMINICK]—have determined that the time has come to do something for the lower- and middle-income groups of our society. Year in and year out, Congress passes legislation to take care of those on the poverty level. I have supported those programs and shall continue to support them.

Yesterday the Senate rejected an amendment—and I supported the leadership in rejecting it—to eliminate the investment credit on machinery. So we are taking care of the large taxpayers. That credit will involve some \$2 billion.

Still, year in and year out, there is reluctance on the part of the Treasury Department to be concerned with the problems of the low-income and middle-income groups. One of the great tragedies for America would be to have Congress adopt tax policies and programs which would tend to impoverish the middle-income group of America.

The last time the Senate voted on this measure, it defeated the proposal by a

vote of 45 to 48. I do not know what the vote will be today. It is my hope that the Senate will reverse the position it took in 1965. I believe that this issue is so important to the people of our Nation that we must continue our fight. It is my feeling that we will continue the fight and that the day will come in the not too far distant future when a measure such as this will be passed by Congress and eventually signed by the President.

Mr. President, I yield the floor.

Mr. DOMINICK. Mr. President, I wish to express my support for the adoption of the Ribicoff-Dominick amendment. I congratulate the distinguished Senator from Connecticut not only on his presentations today and last Friday, but also on the vast amount of work he has done in connection with this problem. It is interesting that both of us should support such an amendment, one of us coming from a Western State, the other from an Eastern State, both of us having started our studies of this problem independently.

My interest in this subject is nothing new. My interest in providing tax relief to those who are bearing the expense of higher education dates back prior to my first days in public office. I introduced and sponsored legislation for this purpose, first, in the Colorado Legislature in each of my 4 years as a member. I introduced and sponsored this type of legislation in the U.S. House of Representatives during the 87th Congress, while I was serving as a Representative from the Second Congressional District of Colorado. I have introduced it, backed it, and worked for it in the Senate during the 88th and 89th Congresses, working closely with the distinguished Senator from Connecticut [Mr. RIBICOFF].

Surprisingly enough, I should say that I started my activity on this subject long before I became engaged in politics. Together with other persons who were concerned about the degree of impact that college education was having on the middle-income group, I started a drive at that point throughout my State in an attempt to have legislation introduced in the Senate and House of Representatives to correct this condition. So this is not a new subject to me. It is not one that is novel and is not something that is a spur-of-the-moment idea.

In proposing this amendment to the pending tax adjustment bill, it should be made crystal clear that our amendment will not have any effect upon the revenues which this bill is designed to raise. The tuition tax credit provision can be called a follow-on program. The effective date for the beginning of the tax credit program for the expenses of higher education will make the program applicable to taxable years beginning after December 31, 1966. So the results would appear in individual income tax returns due to be filed before April 15, 1968.

The urgent need for the enactment of this amendment is reflected in the growing percentage of American families who are hard pressed to meet the rising costs of higher education for their children, whether at public or private colleges or

universities. Survey after survey has shown that 62 percent of American families have annual incomes between \$3,000 and \$10,000 a year. These surveys have revealed—this is a most interesting statistic—that 60 percent of such families have no savings at all, while the savings of the remaining 40 percent average only \$150. These are the families who would derive the greatest benefit from the enactment of this amendment. These are the families who are largely left out by the higher education bill which Congress passed last year.

The distinguished Senator from Connecticut [Mr. RIBICOFF] has previously had printed in the *RECORD* a table which was published in *U.S. News & World Report* on September 20, 1965. The table was compiled and published by the College Scholarship Service, an organization that assists many major universities and colleges in determining which students are entitled to first call on available financial help. The table sets forth the amount that families are expected to contribute annually from current income if they have only one child in college.

Any college that followed the guidelines set forth in that table would require that a family consisting of a man and wife with one child in college, and having a gross family income of \$6,000 a year, must contribute \$790 a year from the family income before his child could be entitled to scholarship assistance. This is a staggering burden. If the same family had a gross income of \$8,000, it would be required to contribute \$1,290 to the child's college expenses before the child could be eligible for scholarship assistance.

Such is the dilemma which faces millions of American families who are trying to educate their sons and daughters as an investment in the future of this Nation. It is not surprising that in a poll of my constituents, more than 80 percent of those responding enthusiastically favored the enactment of tuition tax credit legislation to cover a part of the costs of higher education.

Another recent survey on this subject is of special interest and importance. This survey was directed to all presidents and trustees of both public and private institutions of higher education. The response was exceptionally large, and the results are highly significant.

As of March 3, 1966—only 6 days ago—of the 3,231 trustees of private institutions responding, 91.7 percent, or 2,960, favored the tax credit approach to provide assistance for higher education. Only 215 trustees of private institutions, or 6.6 percent, opposed the tax credit approach, and 56 trustees of private institutions, or 1.7 percent, were undecided.

Of the 530 trustees of State institutions of higher education who responded, 440, or 83 percent, favored tax credits for the costs of higher education; while 85, or 16 percent, were opposed, and 5, or 1 percent, were undecided.

Of the 99 presidents of State colleges and universities responding, 42, or 42.4 percent, favored the tax credit approach; while 57, or 57.6 percent, were not in favor of it. On the other hand, 92 per-

cent of the 667 presidents of private colleges and universities who responded to the survey favored tax credits for higher education expenses. Forty-four presidents of private colleges, or 6.6 percent, did not favor tax credits, and 9, or 1.4 percent, were undecided.

In summary, 89.6 percent of all responses received favored the tax credit approach; only 8.9 percent were opposed, and 1.5 percent were undecided.

I might comment that in a country as large as ours, considering the many diverse ideas and thoughts, it is almost a miracle to be able to get 89.6 percent of the persons responding to the poll to agree to the proposition that is presented to them in detail. This shows the strength of this particular type of proposal as an aid and assistance to those families who are trying to send their children or their neighbor's children to school or who want to provide a scholarship. They would have an incentive to provide such help. Second, it shows the aid that this approach would give to the higher universities and colleges, whether private or public.

Why should such an overwhelming percentage of those responsible for administering our colleges and universities favor enactment of tax credits for higher education expenses? I believe it is because these individuals recognize a most important factor which is overlooked by many of those who have not favored tuition tax credits. That factor is the effect which tax credits will have on the pressure now being exerted on existing Federal programs now providing scholarships, loans and grants, and upon the future of privately financed scholarships. The greatest benefit accrues for the first \$200 spent for tuition, fees, and books, and even at these State institutions which do not charge tuition, the cost of fees and books average more than \$200 per year. This amendment would cover 75 percent, or \$150 of this cost. The effective help provided to the student and his parents in this way will greatly lessen the pressures now being exerted on existing scholarship programs, and in addition will provide some much needed help to those students who are not able to receive scholarship help now because of the preference given to the lower income group under the guidelines being followed by many colleges and universities.

During the consideration of the higher education bill of 1965—and I am a member of the Subcommittee on Education of the Committee on Labor and Public Welfare—we went into this matter at great length. I was happy to support the bill and did support it last year. However, in the process, we raised the limitation on the income level of those people who would be eligible to receive loans or scholarships up to \$15,000 of adjusted gross income. So we have already recognized by legislation passed last year that the middle and moderate income groups should be entitled to receive assistance in trying to educate their children.

It is only fair, in order to relieve the pressures on those funds which we sup-

plied, to say to the people, as the amendment does; "You have the right, out of part of your gross earnings, to educate your own children." That is all that this amendment is trying to say.

Incentive is also provided for individuals who are not related to the student to provide financial help to students for tuition, fees and books. For example, I or anyone else in the Senate, if he felt so inclined, could pay the educational fees of any individual who wanted to obtain a higher education, and whoever paid those fees would be the one entitled to receive the tax credit. So it is not merely for the families who are sending their own children through school. It also takes care of people who want to send their neighbor's children, or anyone else, to a college which they can designate, and thereby afford an opportunity which that individual might not otherwise have.

To the extent that private sources will be encouraged to provide such funds, the American taxpayer will benefit. Under our sliding scale formula, for every \$500 scholarship donated by a private individual, the Federal Government will be getting money devoted to education at a 55 percent discount. This is not possible at present because an individual taxpayer gets no tax benefit whatever if, out of his own generosity, he pays for the tuition, fees or books of a needy and deserving and named college student. The effect of this factor alone—in agreeing to this amendment—should direct many millions of dollars of private funds into American higher education, both public and private.

Since this question was last debated here and failed by the narrowest margin, we have met the challenge of providing higher education assistance to the lowest income group which pays no income taxes. Since 1964, we have enacted the work-study program under the Economic Opportunity Act of 1964 and the Higher Education Act of 1965, and we have provided student loans for vocation education. With this amendment, we shall be adding the badly needed fourth leg to the stool. We shall provide help for higher education to that group of our population which carries the greatest burden. More than 90 percent of the tax benefits provided by this amendment will go to families with incomes of less than \$20,000 per year. Anyone who contends that this is a rich man's bill just simply does not understand the sliding scale provisions.

Furthermore, we avoid many serious problems through using the tax credit approach. No additional Federal bureaucracy will be required since we shall utilize the existing machinery of the Internal Revenue Service. And, equally important, no Federal control of our education system will be encountered since the individual will be using his own pre-tax dollars for higher education. Second only to the cost of buying a home, the next largest single expense facing the American family today is the cost of sending their children to college. To the extent that we can relieve this by agree-

ing to this amendment, we shall have benefited everyone in the country.

The costs of obtaining a higher education continues to increase, as they have done over the years. In my own State of Colorado, we are spending nearly 3 times as much on higher education this year as we spent 6 years ago. Many families in my State are having great difficulty in meeting the expenses of higher education for their children. In all probability, the adoption of this amendment would give much needed tax relief to families and individuals whose financial burden is particularly great. It would also have the effect of feeding back much needed revenues into the private sector of our economy.

Some opponents of tax credits for higher education have speculated that the adoption of this amendment would directly cause public and private educational institutions to raise their tuition and fee schedules. This is obviously pure speculation. I think history has shown us that these costs have been rising steadily anyway, as they have been doing in my State. It seems equally logical to me to assume that the people who will realize tax savings from this amendment might be inclined to plow these savings back into public and private educational institutions. It seems even more logical that these savings would allow the recipients to contribute toward the education of more of their children beyond high school and may well form the incentive for some to pay part of the expenses for children of neighbors or friends.

It should be emphasized in the strongest terms that this amendment has been specifically designed to be of greatest assistance to the lowest cost public universities. One of the major attacks which was made on earlier tax credit proposals was that they would be of greater assistance to Ivy League colleges or higher cost private institutions. This argument had some validity, at least enough to make it a rallying point for those who are opposed to the principle of tax credit. So, in drafting this amendment, we have designed a sliding scale to answer this argument. The sliding scale will give maximum tax credit benefits to institutions which charge the least tuition, or no tuition at all, but which still have expenses involved in education fees and books. As will be noted, the greatest amount of benefit accrues on the first \$200 spent for tuition, fees, and books. This is clearly shown on the excellent dollar-benefit schedule which has been placed on every Senator's desk by my friend, the Senator from Connecticut.

This amendment is aimed at strengthening the individual's efforts on his own behalf to obtain the highest level of education to which he aspires. It does not aim at any institution or any class of institutions. It does provide the maximum benefits to students at colleges and universities which are supplying the maximum needs for people having the lowest incomes. This again is clearly evident from the sliding scale formula which provides a tax credit of 75 percent

of the first \$200; 25 percent of the next \$300 and 10 percent of the next \$1,000 paid by or on behalf of a student at an institution of higher education. The maximum credit is \$325.

Mr. President, I believe that we can all agree that the education of America's children should be among the foremost priorities of this Nation. This holds true for the present as well as for the future. In fact, how well we meet this challenge could very well determine the future existence of this Nation as we know it or hope it shall continue to be. The program proposed by this amendment is the best investment we can make in the future of our country.

A whole series of surveys have shown that the college-trained individual will earn at least \$150,000 more during his lifetime than an individual who does not go on to college. At today's tax rates, this means that the college-trained individual will pay at least \$30,000 more into the Federal Treasury in income taxes. The help given to a student by this amendment to enable him to obtain a college education will cost at the maximum \$325 per year, or a total of \$1,300 for the 4 years of college. For every dollar we invest in tuition tax credits for higher education for our children, the Federal Government will receive a return on this investment at the rate of 2,300 percent. That is a pretty big percentage of return on any investment, public or private.

Mr. President, we cannot afford to pass up this investment opportunity. We cannot afford to deny our children the help they need to obtain higher education. We need the incentives to private scholarship assistance which this amendment will provide. In short, Mr. President, we need the enactment of this amendment, and we need it now. I sincerely hope it will be adopted.

On October 18, 1965, there appeared in Newsweek an article by Raymond Moley discussing this tax credit proposal. I ask unanimous consent that that article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PERSPECTIVE: TAX HELP FOR PARENTS

(By Raymond Moley)

The immense bundle of gifts, loans, and other helps which is the Johnson aid-to-education plan is understood by few except some Members of Congress, the administration, and professional educators. But everyone knows that it will cost a lot of money and that this money must be raised by taxation or inflation. The Government giveth, and the Government taketh away.

But the legislation leaves untouched the plight of parents in the lower middle income range who, in the exercise of freedom of choice, want their children to get a college education. It also does not help the private colleges that are having a hard time keeping alive in the face of rising costs and competition from State-supported institutions.

Help for parents is analyzed, along with a general review of the problems of higher education, in a new book, "Crisis in College Finance?" by Roger A. Freeman of the Hoover Institution at Stanford University (243 pages. Institute for Social Science Research, Washington, D.C. \$5).

INCOME TAX CREDITS

Many plans for tax credits or deductions have been before Congress in the past few years. The authors of these have ranged politically and ideologically from Barry Goldwater to HUBERT HUMPHREY. But largely because of the indefatigable labor of Senator RIBICOFF since he entered Congress in 1963, a single plan was introduced and voted upon in February 1964. This was called the Ribicoff-Dominick plan and it was cosponsored by 16 Senators. This year the number of Senate sponsors has risen to 34. It will be an issue again next year.

Because of pressure from the Johnson administration, several Senators who had introduced similar plans and three, including HUMPHREY, who actually sponsored the Ribicoff-Dominick amendment voted against the measure in 1964. It lost 48 to 45.

The amount of relief would depend upon the plan which would be adopted. In any of the versions, it would be less than half the cost of the student's tuition and other expenses. It would still leave the valuable incentive on the part of students and parents to secure an education. But it would help where help is badly needed. And, in general, the students who would thus be able to go to college would be more promising than those who go simply because of loans and gifts. (It is important to note that loaning and giving will be provided in any event because of this year's legislation.)

Tax credits or deductions would, moreover, be a great help to smaller private and denominational colleges which face a struggle for existence. If some such help is not provided, the drift to State-supported institutions will continue for costs there are lower because of State and Federal subsidies. This will mean that the great number and influence of independent private institutions will diminish at a dangerous rate.

CONGRESS FAVORABLE

The tax credit plan measurably lessens the danger of government control of all education. It leaves freedom of choice in the hands of parents and students, and independence in the colleges themselves.

The major objection of the Treasury is loss of revenue. There are various estimates of this. Generally, however, these estimates are far lower than the cost of many Federal programs which have far less justification than this.

It is clear that a plan for tax relief would induce private colleges to raise tuitions. But even if they do this, the net gain to the parents and students is considerable for the amount of credit could be adjusted to a percentage of the tuition.

The ultimate extension of the Johnson trend would mean free education for all. And this would mean vast hordes of students many of whom would seek the relatively easier life in college rather than the rigors of the world outside. Most of such students would be ill prepared and unworthy and the terribly wasteful trend toward dropouts would rise higher and higher.

There is no doubt that if there had been no pressure from the administration in 1964 and 1965, some plan for help to parents would have passed. We must now look to 1966 for this needed reform.

Mr. DOMINICK. Mr. President, in the Rocky Mountain News on March 7, last Monday, there appeared an excellent article by that newspaper's very capable Washington reporter, Mr. Dan Thomasson, reporting on my support of this amendment. I ask unanimous consent that that article be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DOMINICK URGES TAX CREDIT FOR COLLEGE SUPPORT

(By Dan Thomasson)

WASHINGTON, March 6.—A bipartisan group of U.S. Senators will move Monday to tack a \$700 million amendment on President Johnson's tax adjustment bill.

The Senators, led by PETER H. DOMINICK, of Colorado, and ABRAHAM RIBICOFF, of Connecticut, want to give parents of college students an income tax break.

They will argue that their plan won't disturb revenues the administration claims it needs to meet soaring Vietnam costs because effect of the amendment won't be felt until 1968.

The Tax Adjustment Act would restore automobile and telephone excise taxes cut last year and will increase the rate of the Federal withholding tax.

The bipartisan amendment provides a \$325 maximum tax credit for \$1,500 or more spent by parents or guardians on college tuition, books and fees.

FORMULA SET

Those spending less than \$1,500 would get less tax credit on the basis of a formula worked out by the Senators.

An example would be a parent who could claim the full credit and who owed the Government \$400 after figuring his income tax return. He would send the Treasury a check for only \$75. If his tax bill came to less than \$325, he would receive a rebate for the difference.

A credit differs from a deduction in that it is subtracted from the amount owed after the tax has been figured. Deductions are figured when the return is being made out.

DOMINICK estimates 92 percent of the benefits will go to families whose income is below \$20,000 a year. He says it will encourage expansion of private scholarships, relieve pressure on this type grant and also stimulate private individuals to increase support of both public and private institutions of higher education.

OPPONENTS' CLAIMS

Opponents claim the credit plan would hit the Treasury at a time when it can least afford it because of Vietnam and Great Society domestic programs.

RIBICOFF and DOMINICK argue that a college graduate earns at least \$150,000 more in his lifetime than a noncollege graduate and pays an extra \$30,000 in income tax.

Thus, they say, the Treasury ultimately will be wealthier because of the credit plan.

A similar measure missed passing the Senate by only two votes 2 years ago. It was not brought up last session because of Mr. Johnson's higher education program.

Even with strong bipartisan support, it is doubtful Senators would accept this latest attempt especially with the mounting Vietnam expense. But the amendment's proponents want to build a strong case for its passage next year.

Should the amendment be approved, it would stand little chance of surviving a conference committee appointed to iron out differences between the House and Senate versions of the Tax Adjustment Act.

Vote on the amendment would not come until late Tuesday if the debate on the bill goes as expected.

Mr. DOMINICK. Interestingly enough, on March 6, there came through the Denver Post, a very reliable newspaper in Denver, a UPI release reporting that the proposed amendment would be defeated, the headline being "Tax Break Plan Gets Death Note."

I ask unanimous consent that that article from the March 6, 1966, issue of the Denver Post be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

TAX BREAK PLAN GETS DEATH NOTE

WASHINGTON.—A tax leak plan which had the earmarks of becoming a votegetter in the November elections is being reluctantly put to death in Congress.

The proposal was an amendment by Senator ABRAHAM RIBICOFF, Democrat of Connecticut, which would have extended a tax credit to parents financing college education for their children. He offered it as an amendment to President Johnson's package tax bill which would net \$6 billion to help pay for the Vietnam war.

Under RIBICOFF's plan, a parent could subtract up to \$325 in education expenses from his computed tax bill.

Administration leaders moved quickly to scotch the move.

First, word was passed that the House would definitely reject any such proposal.

Second, proadministration Senators pointed out that plan would cost the Treasury \$1 billion at a time the President is seeking more money to pay Vietnam costs and keep a lid on inflation.

Even if the Senate approved the plan, Senators have been told it would be disapproved by Chairman WILBUR MILLS, Democrat, of Arkansas, of the tax-writing House Ways and Means Committee.

MILLS is a dominant member of the House-Senate conference committee where the President's tax measure will go after final Senate action next week. The program would increase auto and telephone excise taxes to last December 31 levels, impose a graduated income withholding rate, and speed up corporate tax collections.

Votes on the Ribicoff proposal and amendments that would eliminate the excise tax provisions are scheduled for Monday and Tuesday.

RIBICOFF's plan is unquestionably popular. It was narrowly defeated, 48 to 45, in 1964 in a Senate vote.

Mr. DOMINICK. Mr. President, I have only a few more things to say about this matter. I know that the distinguished Senator from Louisiana [Mr. Long] is under obligation to present the opposite viewpoint, because he has been so requested by the President.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOMINICK. Yes, I am happy to yield.

Mr. LONG of Louisiana. May I say to the Senator that the President has not requested me to do anything about his amendment. I am just against it. I frankly think it is a very poor amendment, and I am against it. Everything in me cries out against the amendment. It did not take a request from the President to set me against it.

If the Senator were prepared to spend a billion dollars to help grandma or someone else who needed it, rather than to donate the money to those who do not need it, it would be a different matter. But I do not think this is a good amendment.

I would appreciate it if the Senator from Colorado would give me credit, once in a while, for doing something on my own. I am capable of thinking. I do not

say that the Senator does not have a conscience of his own, and I would appreciate it if he would give me credit for the same thing.

Mr. DOMINICK. I am happy to concede the Senator a conscience, although yesterday I note he fought against giving \$400 million, or whatever it was, to grandma through the Prouty amendment.

Mr. LONG of Louisiana. That was \$790 million. What I was opposed to was the fact that the amendment just gives money away to anybody, including millionaires. As I said, it is like climbing to the top of the Washington Monument with a barrel of cash and throwing it to the four winds. It does not ask the first, elementary question: Does the recipient need the money?

What I am against is taxing poor folks to provide giveaways for the rich.

Mr. DOMINICK. In this particular case, we do not happen to be taxing anybody. What we are trying to do is say to people that they can use their own earnings to educate their children and their neighbors' children.

Mr. LONG of Louisiana. Well, I have no—

Mr. DOMINICK. Mr. President, I have not yielded. I still have the floor, I believe.

Mr. LONG of Louisiana. I recognize that the Senator has the floor. I merely ask that the Senator permit me to say I do not quarrel with his view. He is entitled to his view, and I have mine. I just hope the Senator will recognize that the Senator from Louisiana has as much conscience and has intentions as good as our friend, the Senator from Colorado.

Mr. DOMINICK. I am always happy to find those characteristics in the distinguished Senator from Louisiana, and I know he does have them. But I was most distressed upon reading the statement he put into the RECORD on March 7, to the effect that "If you vote for this, you are voting against the boys in Vietnam."

There could be nothing more erroneous than that type of argument; and I felt I should bring that out very clearly.

I wish to say right now that as far as we are concerned, the sponsors of this amendment have been supporting whatever means are necessary to assist the people in Vietnam. We have supported the GI bill for education for the servicemen over there. We have supported a higher education bill.

What we are trying to do is to emphasize that these financial burdens are constantly mounting on the people who pay their taxes to the Government: the ordinary income fellow tries to educate himself, tries to educate his children, pays the mortgage on his house, tries to put some savings in the bank, encourages community activities, and has not received a tax break of any kind since time immemorial. I think it is time we did something about it. This is one way that we can start taking steps in that direction.

Mr. President, the Senator from Connecticut [Mr. Ribicoff] was kind enough

to have placed on everyone's desk a statistical worksheet prepared by the Office of Education, showing the opening enrollment in institutions of higher education by States, beginning in the fall of 1965. It shows the number of students enrolled in both public and private institutions, and breaks them down by those categories. There are 3,999,940 young people in public colleges and universities, and 1,967,471 in private universities.

This is part of the diversity program in which I think we are all interested, diversity of education and opportunity; and it strikes me that we have a bill which will be beneficial to people, enabling them to make their own choices without having any problem of a question of violation of the Constitution on the matter of aid by the Federal Government to private institutions. We can do that very well by this mechanism. We can also generate scholarship funds, and do it without incurring a revenue loss in 1966 or 1967.

There is one thing I wish to add about the latter point. I will hear, I am sure, in opposition to this amendment, spokesmen saying that this is going to cost the Treasury a billion dollars. I submit, Mr. President, that there is no basis for any such assertion. In 1964, the Treasury said that in the first year—the program was then designed to start in 1965, and is now designed to start in 1967—the cost would be only \$700 million. Just a short time before that, I had requested an estimate on a bill that I had introduced, and the Treasury came up with \$400 million.

I do not know what it will cost, because it would be necessary to go to every person who has a son or daughter in college, and determine what his income is, to begin with, and what the educational fees and expenses are in each of those colleges, in order to determine what the actual cost will be.

But, even assuming that it will cost \$700 million, and assuming what they said in 1964 is accurate, then I would say that this is not a cost, this is an opportunity for the people of this country to use their own earnings to educate their own friends and their own children.

Mr. President, I yield the floor.

Mr. HRUSKA. Mr. President, I rise in support of the pending amendment.

I have supported the adoption of legislation which would give tax relief to those who are required to bear the costs of educating their children, not only by supporting the various Ribicoff amendments which have been offered, but also by introducing bills in other sessions of the Congress which dealt with this problem. I applaud the junior Senators from Connecticut and Colorado for their perseverance on this matter in spite of administration opposition.

Most of us here well remember how close we came to amending the Revenue Act of 1964 along these lines. Only some strong administration persuasion defeated the educational tax credit amendment. We came so close, in fact, that as I recall, it was necessary for three of the cosponsors, including the then Senator

HUMPHREY, to vote against their own amendment to kill it, 45-48.

It is my hope that we will meet with success this time. While this administration has paid great lip service to the thing, the string that is always tied to its suggestions is also hooked to the bludgeon of Federal control or Federal hand-outs.

We have heard thousands of words from the President about helping this group or that, but there seems to be no concern about the average family whose head works for a salary and who wants to see that his youngsters get a college education.

It does not make sense to appropriate large sums for Federal aid to education on the one hand and on the other to deny tax relief to parents to achieve the same purpose without the bureaucracy and Federal direction which accompanies massive programs administered from Washington.

The approach provided by this amendment is highly desirable. It represents neither a windfall nor boon to any pressure group or vested interest, it does not create another tentacle on the octopus of Federal bureaucracy, nor does it steal the pride from the recipient as does the handout. The tax credit is simple, direct and provides an incentive for a person or a family to do for themselves. This is a plan for the average family in America who has no pressure group lobbying its cause.

When discussing this question, it is easy to describe it as merely an education, rather than higher education. We have all come to recognize there is an increasing need for those possessing the ability to continue their education beyond the secondary level. There is a shrinking demand for the skills and knowledge developed through only a high school education.

These changing requirements make it more important that we give a boost to those who are trying to educate themselves and their own. Surely, the most important investment this country can make is the investment in well educated citizens.

As has been pointed out, it is hard to find any difference in concept between a business which invests part of its present earnings in expanding its future growth and earnings and the investment in the individual's ability to increase his productive capacity. For years we have properly provided the tax incentive to business to improve its ability to produce, for it advances our national interest. All we are now urging is that we recognize that some part of the cost of educating our children is as much an investment in the future of this country as are the credits we allow for industrial machinery or new factories.

These arguments are not new. In the past 10 years, more than 400 bills to achieve this purpose have been introduced in the Congress. This time, I am hopeful we can do something about it.

Mr. HARTKE. Mr. President, I speak in support of the Ribicoff-Dominick amendment for a tax credit for college tuition. In February of 1964, I intro-

duced a bill, S. 2490, to provide a package of aids including scholarships, federally guaranteed loans, and work-study funds. At that time, the senior Senator from Oregon [Mr. MORSE] promised to hold prompt hearings on comprehensive aid to students in institutions of higher education.

That promise was kept. One week later, the Education Subcommittee opened those hearings. Subsequently, it recommended a bill incorporating the measures I had advocated. Those provisions are now law, and I am happy to have had such a role in the development of the approach of the Higher Education Act.

My concern then was, and still is, for the improvement of means whereby we may best meet the goal which President Johnson has reaffirmed, and which was stated by President Kennedy as the objective of "assuring that no student of ability will be denied an opportunity for higher education because of financial need."

In the last session of Congress, we moved closer toward that goal, but it is still far from reached. For me, our first and primary necessity in education for our youth was to stop the drain and the waste which occurs when those of superior talent, and with potential contribution to society, are unable to develop that potential simply because of financial disabilities.

It is for the same reason, to upgrade the capabilities of our people through improved education, that I recently introduced the Adult Education Act of 1966, encouraging the greater use of our public school system for the continuing education of adults.

It is for that reason, in order to facilitate the higher education of millions of our youth who stand at the doors of colleges and universities, and to further the cause of education by making easier the financial burden it entails, that I now support the tax credit amendment.

In accordance with the old maxim of first things first, we have now given in the Higher Education Act the greatest assistance to those who need it the most. There is no denying the fact that the conditions which surround our provision of grants in aid, the supplying of jobs through the work-study program on the Nation's campuses, and the opportunity for students to borrow with Federal guarantees of their loans, has greatly enhanced the educational opportunities of the neediest. Addition of the cold war GI bill opportunities for returning servicemen also aids especially those whose financial situation was a factor in sending them to enlistment instead of to college.

Mr. RIBICOFF. Mr. President, will the Senator from Indiana yield at that point?

Mr. HARTKE. I am glad to yield to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, I ask for the yeas and nays on the pending amendment.

The yeas and nays were ordered.

Mr. RIBICOFF. I thank the Senator from Indiana.

Mr. HARTKE. Mr. President, we need have little concern on the financial score for the comparative minority who are truly affluent, whose incomes and resources can easily afford the best private colleges, and often the best private secondary schools as well, for their children. But there is still the vast range of those who are regarded by sociologists as belonging to the middle class in this Nation, who come to the education of their children with justified trepidation for the financial burden which it entails upon their families. While I would still like to see more encouragement and opportunity for those to whom college has formerly been a more or less impossible dream, I am also concerned for the educational finances of the middle income taxpayer, for the vast numbers of those with incomes of \$7,000, \$8,000, and \$10,000, or even more, who can count less often on scholarship aid, and who so frequently must mortgage home or other property to provide college expenses.

Yet, while the tax credit amendment would benefit them, it would also further aid those in the lower income bracket who are still subject to income taxes. The graduated scale of the proposal before us is an assurance that the tax credit plan will help most, in terms of percentages, those whose incomes are lower. For example, under the proposed formula, a student at Indiana University or at Purdue, whose parents live within the State and whose annual income is \$6,000, would receive a tax credit of \$198 or 3.3 percent of their total gross income. For the family with \$10,000, the benefit would be, for a student at the same school, less than 2 percent of annual income.

It is unlikely that the \$6,000 family will choose the additional sacrifice entailed in attendance at a private school such as DePauw, where the tuition is three times as great. The \$10,000 family might. If they did, the tax credit would amount to 22.2 percent of the tuition; for the family with a student at the State-supported school, the credit would be 50.8 percent of the tuition. This bill will help a great deal where it is most needed.

First, then, I support this proposal now as a further aid to encouragement of higher education of young people from all financial backgrounds, including particularly the hard-pressed economic middle class.

Second, let me turn to the increasing need for such a measure, a need which is increasing year by year as the costs for college soar higher and higher.

Among educators the fate of our private colleges is one which is causing concern. We had private higher education, usually sponsored by churches, before we had public higher education. We still have a great many church-related colleges and universities. As it has been necessary for them, and all private schools, to increase tuitions even though most reluctantly, they have tended to price themselves out of the educational market for many people. As recently as 1950, the parents of half our students sent them to private institutions. But, today, enrollment in private colleges and

universities is growing far more slowly than the total increase in attendance, until the ratio now is only about a third instead of half—more precisely, 35 percent. In 1963, of all freshmen entering higher educational institutions, only 10 percent of the increase went to private schools and 90 percent to publicly supported schools. Yet, in many respects, the smaller private schools have often been pace setters. Their decline would be a tragedy. While this measure does not give them direct assistance, it would undoubtedly influence many families who are undecided as to which type of school their son or daughter should attend, thus taking some of the burden from the public institution.

At the same time, it is worth noting that the fast-growing State colleges and universities are themselves finding it necessary to increase tuition and to seek ever greater funds from the taxpayers. Relief from Federal income taxation to the extent of the tax credit, for the great numbers flooding into State institutions, will to a large extent be an offset to the increasing State taxation needed for these schools. The State university system of Wisconsin, for example, is seeking an increase in its budget of 72 percent during the period 1965-67. If we average the increased tax funds sought for State higher education in the same biennium by the States of New York, Georgia, Indiana, Iowa, Wisconsin, and California, the sum amounts to a 51-percent increase. The same taxpayers to whom the credits for tuition payments will go are those who must help to pay the soaring State costs which are such a big factor in the dilemma of all our States as they seek ever more tax income. The offset will help to ease the growing State tax burden for many thousands of families.

Third, this amendment should have the effect of stimulating investment in college tuition, not simply by parents with children in school but by others as well. This includes the student who is working for all or a part of his tuition money, and often it includes—in these days when so many college students are married before completing their course of studies—the student whose wife is working for what has sometimes been called a P.H.T. degree, "putting hubby through."

But there is also the stimulus to come to the aid of students who are not sons and daughters. An uncle or a brother-in-law, for example, might be encouraged to provide the first \$200 of tuition, since his tax credit would be \$150, although he might not feel it possible to do so otherwise. Further, there is the possibility, and even the probability, that this device can open up great avenues of philanthropy for educational institutions, both public and private, and do so without any supervising bureaucracy, since it is a simple matter of employing the existing Internal Revenue Service mechanisms.

This point has been well made by Dr. Oliver C. Carmichael, Jr., in an address which he gave before the Educational Writers Association at its annual meeting in 1965. Mr. Carmichael is presently

chairman of the board of Associates Investment Co. of South Bend. He holds a Ph. D. in public law and government from Columbia University, as well as A.B., M.A., and bachelor of law degrees. Furthermore, he was dean of students at Vanderbilt University from 1952 to 1955, and from 1956 to 1960 he was president of Converse College. He is now a trustee of that college and also of three others—Vanderbilt, Notre Dame, and St. Mary's College. He is also chairman of the Committee on Higher Education in north-central Indiana and president of the Citizens National Committee for Higher Education. Dr. Carmichael's words are as follows:

Under the Ribicoff bill any individual can pay \$200 for a nontaxpaying student and receive a credit of \$150. Thereby \$50 could mean the difference between college education or no college education for some students. The individual could give \$300 and receive \$175 credit—\$400 and receive \$200 tax credit.

The colleges and universities could use this concept for the promotion of philanthropy.

One of the maxims of successful fund raising is the establishment of concrete goals toward which donors can become actively motivated. Tuition tax credit will stimulate just such involvement in support of the most needy students. The involvement will immediately embrace alumni—and can be expanded to include the public as a whole. The possibilities are exciting and limitless.

This procedure will not only be tax relief, but it will also be a stimulus to further aid needy students with their educational finances. The funds we have provided through the Higher Education Act are a help, but the magnitude of the task of furnishing higher education to all who can benefit by it is rather staggering. Already we have more students in the entering freshman class in the fall than the total who were enrolled 20 years ago. Estimates by the Office of Education show a growth of college and university enrollment from the more than 5 million of 1965 to more than 7 million in 1970, 8,667,000 in 1975, and more than 10 million by 1980. The 1980 figure will include more than one out of three of all persons between the ages of 18 and 24.

Fourth, although this argument is in a somewhat different category from those I have been adducing, I believe it should not be ignored that this concept has increasingly won favor from educators actively working in the college and university field.

The Citizens National Committee for Higher Education, of which Dr. Carmichael is president, last year sent a questionnaire to college and university presidents and trustees. There are a little more than 2,000 colleges and universities in this country, and responses came from 746 college presidents. Ninety-nine of these preside over public institutions, and 42 of them said they favor this concept. Presidents of private institutions were in favor by the overwhelming score of 594 to 44, with 9 undecided. The overall score is more than 6 to 1.

More than 7 out of 8 trustees were in favor, for a total of 2,895 out of 3,248 replies.

In the same category of favor, it seems to me significant that such a great number of Senators are in agreement as evi-

denced by their cosponsorship of S. 12, the Ribicoff bill, and that in both this Congress and the 88th there have been some 100 such bills introduced in the House. Among them are a number of members of the Ways and Means Committee, including Congressman SYDNEY HERLONG of Florida, who found in a poll of his constituents, to which 40,000 replied, that 78 percent were in favor of tuition tax credit legislation.

Further, this measure has been in the making over a period of years. In the 87th Congress there were over 100 bills offered to provide assistance by tax deductibility, additional exemptions, or tax credit. Among these was a bill offered by the then Senator from Minnesota, Mr. HUMPHREY, now the Vice President of the United States, who then proposed a straight 30-percent credit on tuition expenses up to \$1,500. It was he, so far as I can discover, who first refined the proposal to a more equitable and less regressive measure by a graduated scale such as this bill contains, beginning with a 75-percent credit on the first \$100.

The Humphrey bill, S. 1677 of the 88th Congress, was introduced by him on June 6, 1963. I quote from his statement made to the Senate upon its introduction, in words which are applicable today equally as well:

The sliding tax credit schedule provides a sensible and workable system of Federal assistance that helps every student, indirectly helps both public and private institutions, and does so in a manner that in no way interfered with individual or institutional freedom or policies.

While this tax credit proposal would not solve all the financial problems related to higher education, it would represent a significant contribution well within our national means.

Support in the Congress has been growing for this general approach to the problem of Federal aid to higher education. I know the appropriate committees in both Houses are giving these proposals careful scrutiny and consideration. I hope that the administration will consider seriously requesting such legislation from the Congress.

I would hope the present Vice President would influence the administration, which is opposing this proposal, and would give the same encouragement to it now which he did at that time. I hope the administration will seriously consider requesting such legislation from the Congress.

Finally, I would ask my colleagues to look at the situation of Federal aid to higher education as it appears in the budget. In spite of the fact that loans under the National Defense Education Act have served 890,000 students at 1,700 institutions who have borrowed \$800 million to invest in their college education, the proposal is to cease and cut off this source of funds. It is the announced program of the administration to use instead the private loan sources authorized in the Higher Education Act. But this program depends for its operation upon a 10-percent reserve to guarantee the private loans, operating through a State agency. In the case of Indiana, the State legislature is not in session this year and the agency and its reserves are therefore unable to come into being in time for students this fall.

I asked whether these funds would become operative in the fall of 1965, and I was told that they would not at that time, but would in 1966. Now we see the sorrowful situation where it is not going to be available to these students in the fall of 1966.

National Defense Education Act loans current in Indiana colleges and universities are held by 8,792 borrowers in an amount of \$5,097,000. To transfer these to the private loans of the Higher Education Act would require a reserve of half a million dollars. Lacking that opportunity, how are we to service the young people who must borrow in the fall, when National Defense Education Act new loans have disappeared from the college horizon?

In addition, as a letter recently read into the CONGRESSIONAL RECORD has made abundantly clear, the bankers themselves in these times when there is a very tight squeeze in the money market, are gravely concerned as to their ability to shoulder the load all at once of such a great loan program as that which the National Defense Education Act now supplies in addition to the furnishing of private funds for the new program—in itself a very considerable strain.

I do not say that the tax credit amendment is the full answer to this problem. I want to see the National Defense Education Act program fully restored to its usefulness at least until experience proves that the new guaranteed private loan program can absorb the need. But every available bit of evidence indicates that with both new and old programs there are still unmet needs, needs to which the parents of more than 5 million college students can abundantly testify. I supported filling those needs in part by title IV of the Higher Education Act, and I am proud of my association with that achievement. I support the further advance which is offered now in the tax credit amendment. It is urgently needed, and I shall vote for it. I hope a majority of my colleagues will do likewise.

Mr. LONG of Louisiana. Mr. President, this amendment was before the Senate 2 years ago. At the time the amendment was before the Senate, the distinguished Senator from Oregon stood on the floor of the Senate and said that his committee was going to study the need for aid to education, and that they were going to consider what needed to be done.

I know that when the matter was studied, the committee went into it carefully. Under the leadership of the Senator from Oregon the Senate enacted the aid to higher education bill and other measures which sought to help families of young men and women who would otherwise have difficulty providing a college education so that they would get the help that they needed. Congress provided under this legislation scholarships for young men and women going to college. It provided that they would have the benefit of grants when grants were needed. Congress also provided a loan program, and provided that there would not be a pauper's oath connected with it. A family could have an income of

modest means and still be eligible for a loan.

Under this approach to help young people who have difficulty paying their way through college, we have increased the amount of money available since 1964. We more than doubled the amount of money for education. In doing that we provided money where it was needed. We provided aid for students who would have difficulty paying college expenses. They have the benefit of work scholarships, loans, and grants.

So, Mr. President, we have made tremendous efforts. It is worthy to note that the committee, in recommending these matters, did not recommend that we take the approach recommended in the amendment before us. It recommended instead that we help those who need help to go to college rather than many people who do not need help.

Under this measure, a man and wife could make \$50,000 a year, provided they split it between them, and have the benefit of a tax credit of \$325 for a child attending college, be it their child or somebody else's child. That is very wasteful. Money is already being spent to send needy persons to college.

The conclusion arrived at in studies made by those who are responsible for administering the programs passed by the Congress is that few additional children would go to college as a result of this measure. It does not have an impact like the GI bill that we passed. That bill provides \$100 a month, for a number of months, based on the time a person served in uniform, to help him go to college.

Mr. President, it is said, "But this money would go to people with incomes of less than \$10,000." It is worth pointing out that of the benefits provided by this amendment, over 62 percent would go to people with incomes above \$7,500 a year.

I concede that \$7,500 a year is not a great amount of income. But I would say that in State schools, to which most students in Louisiana go, a great amount of money is not needed for a young man to go to college. The tuition is low in such schools. This low tuition would prevent students from receiving the full benefit of the amendment. Students at colleges with high tuition would get the major benefit of the amendment.

In addition, it is fair to point out that this amendment favors a particular group of tax payers. It favors those who are not only making enough, so that they are in a position to pay income taxes, but it also favors those who in the future will be making more money.

Somebody has to make up this loss of revenue to the Government and I assume that that would be those who were not able to go to college, through no fault of their own. Those who have so little income they are not able to go to college would pay taxes to help those who are in a position to go to college.

I submit that this would be a very inefficient, inequitable, and even unfair way to further education. Those who need help least would obtain the full benefit of the amendment and those who need it the most would receive no

help at all in obtaining a college education.

Yesterday the Senate agreed to an amendment to reduce the overall revenue gain of this bill by \$790 million. This amendment would cost the Treasury an additional \$1 billion. The two amendments combined would reduce the revenue gain from the bill by almost \$2 billion.

It is not proposed that the amendment go into effect this year. It would go into effect in 1968. If that be the case, why not wait until 1967 or 1968 to see what the budgetary situation is and if we can afford it? Certainly we cannot afford it now because the Government is running a deficit.

I submit, that with all we are already doing for education, this amendment is not needed at this time. Even the sponsors of the amendment in effect concede this argument when they propose that the amendment not go into effect in 1968 rather than in 1966 or 1967.

Mr. President, I yield the floor.

Mr. SMATHERS. Mr. President, I have made clear my own deep concern with the problem of higher education. I recognize the great importance of making available the financial resources to continue to improve the quality of higher education and to make the opportunity of higher education available to a larger proportion of our young men and women.

I am also deeply concerned about the heavy financial burden that is imposed on parents when they have to face the matter of financing the higher education of their children.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. The Senator knows, does he not, that a double exemption, in effect, is already provided for a young person who is going to college. Both he and his parents can take a \$600 personal exemption. So in effect a double exemption is provided for the benefit of young persons attending college.

Mr. SMATHERS. I understand that. I agree with the Senator from Louisiana. I am glad that such a provision exists. Actually, I submitted the same kind of amendment last year and thought I would push it. It would have had the effect of allowing a deduction for education expenses.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. RIBICOFF. A student can obtain a \$600 exemption. But if a young person is working his way through college—as are some of those who operate elevators in the Capitol or who serve as Capitol policemen—and has a job which pays him \$1,200, \$1,500, \$1,800 a year, he is required to pay income tax on the earnings over \$600. Is that not correct?

Mr. SMATHERS. That is correct.

Mr. RIBICOFF. So if a boy is working his way through college and is attending a college where he has to pay \$200, he would get a credit of \$150, which is very substantial for a boy—it is the equivalent of a month's pay.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield, so that I may propound a unanimous-consent request?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. Mr. President, I have discussed the parliamentary situation with a number of Senators. I believe it is possible for us to agree to limit the time for debate on the amendment, so that the Senate may know when a vote will occur.

I ask unanimous consent that further debate on the amendment be limited—

Mr. RIBICOFF. Mr. President, I have no objection to a limitation of debate, but I wonder whether the distinguished Senator from Louisiana, the manager of the bill, would agree that there be a live quorum before the limitation of time begins. I am willing to agree to a short limitation of time. So far as I am concerned, it can be 15 minutes to a side. I think we have talked about the amendment sufficiently so that everyone understands it. I suggest that there be a live quorum and that after the quorum call the debate be limited to 15 minutes to a side.

Mr. LONG of Louisiana. Could we first agree to a limitation of time and then agree that there be a live quorum, with the time for the quorum call not to be charged to either side? Then we could proceed with the debate under the limitation of time.

Mr. RIBICOFF. Very well.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that further debate on the pending amendment be limited to 40 minutes, 20 minutes to be under the control of the distinguished Senator from Connecticut [Mr. RIBICOFF] and 20 minutes to be under the control of the manager of the bill or whoever he may designate; and that prior to the initiation of the limitation of time there be a quorum call, the time for the quorum call not to be charged to either side.

The PRESIDING OFFICER (Mr. GORE in the chair). Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. SMATHERS. Mr. President, if the Senator from Louisiana would withhold his request for a live quorum and allow me to speak for a few minutes, I should be most appreciative.

Mr. LONG of Louisiana. Very well.

The PRESIDING OFFICER. The Chair recognizes the Senator from Florida.

Mr. SMATHERS. Mr. President, I am deeply concerned about the heavy financial burden that is imposed on parents to pay for higher education of their children, so I am sympathetic to the idea of dealing with the problem through some type of tax benefit.

As a matter of fact, I heard a Senator—I shall not name his State—say that he paid \$360 a month tuition for his son's education. I have just sent a child of mine through a well-known college in the Northeast, and I know that it was quite a burden.

For a number of reasons, however, I

do not believe that this is the proper time to enact the tax credit for tuition that is provided by the amendment offered by the Senator from Connecticut.

In the first place, the general fiscal and budgetary situation should be a matter of great concern to all of us. With the unemployment rate for February reported at 3.7 percent, it is clear that we are in a situation where we should not be increasing the Federal deficit. It may well be that we will shortly have to increase taxes more than is provided by the present bill. We have no assurance that this fiscal and budgetary problem will be any different in the calendar year 1967 than it is now. It seems particularly unwise to commit us to so large a tax reduction that would reduce liabilities of taxpayers on 1967 incomes.

In addition, one must recognize that the Federal Government did take large steps toward meeting the cost of higher education through the Higher Education Act of 1965. It would be the course of wisdom to get more experience on the actual operation of the Higher Education Act of 1965 before we commit ourselves to a new program that goes off in a different direction. It should be recognized that the subsidized loan program contained in the 1965 act does provide dramatic savings for a very large proportion of potential college enrollees, in many cases, much larger savings than would be provided through the amendment now under discussion.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. SMATHERS. I prefer not to yield now. I shall be happy to yield in a few moments. I wish to complete my statement. Then I shall be happy to yield.

The 1967 budget provides increased funds to meet the added Federal responsibilities for education. Expenditures in 1967 are estimated at \$2.8 billion, an increase of 23 percent over 1966 when the new programs are just getting underway. Legislation is being proposed to make greater use of private credit in loan programs and to achieve budgetary savings through program modifications.

Expenditures for all elementary and secondary education activities are estimated to rise from \$730 million in 1966 to \$1.5 billion in 1967. This increase reflects mainly the second year cost of programs under the Elementary and Secondary Education Act of 1965.

Proposals to help students get an education is a matter of great concern to us and to the administration. Congress has increased appropriations for education in the last 3 years by 150 percent. That demonstrates that Congress is trying to do something to solve the problem of education.

I observe in the Chamber the distinguished senior Senator from Texas [Mr. YARBOROUGH]. He has long been a sponsor of the GI bill of rights for education. It is a most worthy bill. As I recall, all of us voted for it—the Congress was unanimous. I do not believe there was one negative vote. It is a great bill. It will provide \$300 million annually to pay education expenses for peacetime vet-

erans. That bill was recommended by the administration.

But if education is to be provided for young persons, it should be provided for those who are fulfilling their responsibilities to the Nation, rather than by the particular route which is recommended by the amendment. The amendment, it seems to me, would provide a little additional shelter, perhaps, for some students who do not wish to go into the military service. They would be given tax incentives to complete their education rather than serve in the military. At the moment, if a boy is attending school and is doing well in his studies, he can avoid the responsibility of serving his country. This proposal would encourage that kind of shelter. I believe it would be much wiser to follow the course that was pursued so vigilantly by the distinguished Senator from Texas.

Mr. YARBOROUGH. Mr. President, I appreciate what the distinguished Senator has said. I want to read a statement as a preface for a question I shall ask him. The statement is from a bulletin prepared by the Association of State Universities and Land-Grant Colleges of the United States. The title is "Tax Credits for Educational Expenses, or How To Spend \$1¼ Billion Annually in Tax Money To Help Those Who Need It Least."

The pamphlet lists some alternatives to spending money in this manner to help those who need it the least. The Senator from Florida has put his finger on one of them.

The third alternative listed is: "Provide Direct Student Aid." Although this involves many problems, it would cost less Federal money to provide every student in every college and university in the United States \$200 a year than it would to adopt the tax-credit plan, which in general would provide the most help to those who need it least.

Does the distinguished Senator from Florida agree with the statement from this bulletin?

Mr. SMATHERS. I absolutely do, and I shall supplement that particular point in a moment by reading some additional information from distinguished presidents of universities who say exactly what the Senator is saying, that this particular bill would do nothing but help certain groups of colleges and universities which are already making plans to raise their tuition in order to siphon away the tax benefits of this amendment.

It means that the Federal Government would have spent this money to run a great many colleges which, actually, and factually, it should not do.

I shall read that statement in a moment to supplement the point made by the distinguished Senator from Texas.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. RIBICOFF. Mr. President, do I correctly understand the position of the distinguished Senator from Florida to be that the 5,967,411 students now enrolled in the colleges and universities of the United States are all enrolled in those colleges and universities for the sole purpose of avoiding their obligations to the United States of America?

Mr. SMATHERS. No, I do not. I have not made that allegation, and I do not intend to make it. I do say, however, that some of the 5,967,411 students are there for the sole purpose of not being drafted into the service.

This encourages and helps some— whoever they may be—of those 5,967,411 students.

Mr. RIBICOFF. Mr. President, does the Senator believe that a tax credit of \$150 a year would make the difference between a man feeling an obligation to his country and not feeling an obligation?

Mr. SMATHERS. I think that it might mean the difference between enabling some students to stay in school or having to leave school. Why do we not continue to follow the method pursued under the GI bill of rights and let the young men serve overseas or elsewhere in the uniform of their country? The young men would undoubtedly receive great benefits from that service.

Why do we not proceed along that line? It would be much fairer. The young man would be more mature and would benefit more from his college life. This has been demonstrated many times.

Mr. RIBICOFF. I voted for and supported the GI bill of rights. I voted for and supported the measure to provide 140,000 scholarships.

The cost of college education involves many facets and many programs. It is very interesting to note that some people who are against this measure have also been against educational programs.

Mr. SMATHERS. I want to stop the Senator right there. I have the floor, and I yielded for a statement, not for a speech. On that point, I state to the distinguished Senator from Connecticut what I stated to him on the day of the hearings. Twelve years ago I introduced a bill almost like this one. The distinguished senior Senator from Washington [Mr. MAGNUSON] also introduced a bill almost like this measure some 15 years ago. However, when we found that it would cost several billion, we decided this was not the correct approach. Particularly so when we discovered that actually it would help those families and students who needed help the least. We finally abandoned that approach, as I believe the Senator from Connecticut in time, as well as the Senator from Colorado, will do.

The Senators will finally come to the conclusion that this is not the proper way to go about creating educational opportunities for the young people of the Nation.

When the Senator states that other people do not have any interest in this field, that statement is not supported by the record. I do have an interest, and have had an interest, because I was the granddaddy of that amendment.

Mr. RIBICOFF. With no reflection on the distinguished Senator, people have been introducing tuition tax credit bills for 10 years without trying to get the bills to a vote.

In 1964, some of us wanted to do something about this matter. We wanted to make sure that this would not involve a cost of \$5 billion. The distinguished Senator from Colorado and myself

worked day after day to work out a program that would not cost \$5 billion, a program that would give an advantage to the public and land-grant colleges over the private schools. We wanted a bill that would give proportionate credits depending upon the income of the people.

We have a measure that would cost \$1 billion. We consider it to be very essential.

I believe that the distinguished Senator from Colorado and I will stay with this cause and that this Congress and succeeding Congresses will have this question before them for many years to come.

I have the feeling that it will not be too many years before this measure is adopted into law.

Mr. SMATHERS. Mr. President, I do not wish to compare my particular ability with the ability of the distinguished Senator. I have no doubt that his ability far exceeds mine. He has been a distinguished Congressman. We served in the House together. He has been a distinguished Secretary of the Department of Health, Education, and Welfare, and a very able Governor of his State.

It is possible that the Senator has more ability and more friends in the Senate than I do. I do not want to debate that with him. I concede that fact. The reason that I did not pursue my bill is that I discovered how much it would cost. By pursuing this approach, 62 percent of the people that would be helped would have income of more than \$7,500, and the people below that income level would get only slight relief.

This is not the way to help families and young boys who need help. That is the reason why we abandoned the cause. I refused to stay with the cause any longer.

The Senator has a group of large private colleges located in his area of the country. I understand why he is pushing for the adoption of the amendment. However, as the Senator from Texas [Mr. YARBOROUGH] already pointed out, the measure would be rather discriminatory to schools in the South and Midwest. It would benefit mostly the schools in New England.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. RIBICOFF. Will the Senator yield?

Mr. SMATHERS. I do not blame the Senator from Connecticut for his continued espousal of the program.

I told the Senator the reason that I stopped pushing for passage of my bill. I discovered the injustices of the measure. I discovered that it would not accomplish the purpose that I thought it should accomplish, the purpose of helping young men and women all over the United States who were in need of educational opportunities.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. SMATHERS. I should like to finish my statement.

Mr. RIBICOFF. Mr. President, will the Senator yield? The Senator has made reference to the reason that I support this measure. I think that I should have an opportunity to reply.

Mr. SMATHERS. I made that reference merely because the Senator made reference to me.

Mr. RIBICOFF. The Senator from Florida then made a reference to me.

Mr. SMATHERS. I yield.

Mr. RIBICOFF. Mr. President, of the 84,038 students enrolled in colleges in my State, private enrollments were 36,761, and public enrollments 47,277. Of the private enrollments, the overwhelming majority of the students came from all over the country, including the State of Florida. The public students were basically home-based students from the State of Connecticut. So there is a difference.

Mr. SMATHERS. As the Senator knows, one of my sons graduated from the biggest and finest university in his State. I know something about it. I know what I had to pay. I know what it would have meant to me if a provision such as this had been the law at that time. However, he has now graduated and I am glad that I did not have to ask anyone to help me financially. But that is beside the point.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Colorado.

Mr. DOMINICK. I gather from what the Senator from Florida says that he was in favor of the 1965 Education Act, which assisted people to get into college, is that correct?

Mr. SMATHERS. I think that is correct, yes, sir.

Mr. DOMINICK. Would the Senator say that that was an added charter to those young men to avoid their obligation to their country?

Mr. SMATHERS. No. I would say this—

Mr. DOMINICK. That is what the Senator said about this.

Mr. SMATHERS. Here is what I say. I say we have 5,967,411—I think that was the figure the distinguished Senator from Connecticut quoted—who are now in college. I know that the Senator from Colorado himself had a very distinguished service record, and I do not wish to put this on any kind of patriotic basis; but I think the Senator would agree that he knows of certain young men who probably availed themselves of this opportunity to avoid the draft. The way our draft laws are now written, as long as a boy stays in school and does even satisfactory work, he does not have to serve.

So therefore, it seems to me the more sensible approach, as provided in the GI Bill of Rights, is to say, "Let's let all the boys serve, and let's don't encourage them in any respect whatsoever to continue"—

Mr. DOMINICK. The same argument would be true for the Higher Education Act.

Mr. SMATHERS. I would say this: I voted for the Higher Education Act; I thought we needed it. I do not believe we need this.

Mr. DOMINICK. Will the Senator yield further?

Mr. SMATHERS. I yield.

Mr. DOMINICK. Is not the Senator aware that without this bill, educational expenses have been steadily increasing?

Mr. SMATHERS. I am very much aware of it. I am aware of the increase in educational expenses. I just finished saying that I put a young son of mine in the same institution of higher learning where the distinguished Senator has his son, and from which he himself graduated. I know about the expenses, and the way they are going.

According to some of the college administrators, what they are going to do—and I shall read in just a minute what they propose to do with respect to the proposed amendment, if it passes—is raise the costs even higher and get there faster.

Mr. DOMINICK. Is the Senator aware that 83 percent of the administrators in State institutions and land-grant colleges are in favor of this bill?

Mr. SMATHERS. Of course, the colleges like it. They are in favor of education. The basic question is, How is the best way to approach the problem of getting our young people educated? Do we want to help people who can educate themselves, or do we want to help those who are in the greatest need to get an education?

Mr. DOMINICK. Will the Senator yield further?

Mr. SMATHERS. Yes, I am happy to yield.

Mr. DOMINICK. Does the Senator feel that a dollar can be used more advantageously through the Federal Government, after administrative expenses, than it can be used directly?

Mr. SMATHERS. No, I do not. I do not necessarily feel that way at all.

But I do think this: We have provided, in the last 3 years, enough educational opportunities that there is not a boy or a girl who, either through a loan program or the job program or the scholarship program, cannot, today, get himself an education.

I do not think we need to put this extra whipped cream on top of that pie we already have; not at a time when we are running a deficit. Not when we have responsibilities and commitments in Vietnam—when we are trying to raise revenue to meet those commitments. We adopted an amendment, yesterday, which will cost us \$3.4 billion in 5 years; and now it is proposed to add an amendment which will cost the Government another \$1 billion.

I say, of course, we are interested in education, but there is a time and a place and a proper way to encourage it, and this is not the way, in my judgment.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Louisiana.

Mr. LONG of Louisiana. Mr. President, I was just thinking about the situation that happened in my father's family.

My grandfather had nine children. He was a farmer. He succeeded in sending all nine of them to college. The way

they did it was by old grandpa sweating and slaving and working overtime to find a little money to get the first boy through college, and then each of the boys helped, through borrowing money, through saving, and lending to the next one to help him get through college. They helped one another, and then the boys helped the girls get through.

The best I can figure out, if this had been the law, with that old farmer putting all his children through college, not one of them would have received 1 cent of benefit out of this proposition.

Mr. SMATHERS. I think the Senator is correct. It is not proper to argue that those of us who oppose the Ribicoff amendment are against education. We have a loan program; we have scholarship programs and job programs; and on top of that, we have the GI bill of rights.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. SMATHERS. I am delighted to yield to the distinguished Senator from Texas.

Mr. YARBOROUGH. I wish to congratulate the Senator for what he has just said, that it is not fair to charge that those who are opposed to the Ribicoff amendment are opposed to education.

I have been a member of the Education Subcommittee since 1958. I was a coauthor of the National Defense Education Act of 1958, and have either co-authored or been one of the principal sponsors in that subcommittee of every education act written on the books since 1958. I have been a member of every conference committee on educational bills between the House and the Senate since 1958.

I am opposed to this administration attempting to cut back the extension services of land-grant colleges. I am opposed to the administration attempting to cut down on the funds available under the National Defense Education Act. I am for education. I am in favor of developing in every way our human resources. I have sponsored education bills this year.

But the proposed amendment is not for education. It is the best way I have seen to spend \$1.25 billion annually of tax money to help those who need it least. This is not an education bill; it is a tax subsidy for those in the higher income brackets who happen to have children in college.

Mr. SMATHERS. I thank the distinguished Senator from Texas.

I think at this point it is appropriate that I read from the statements compiled by Pageant magazine in an article in its July 1965 issue, with reference to this particular amendment. The article says:

Rev. John E. Walsh, vice president of Notre Dame, who has seen that university's tuition go from \$750 to \$1,400 in 10 years, makes no bones about it: "The tuition tax credit plan is basically a form of Federal assistance to American higher education * * *. It would enable colleges and universities to raise their tuitions without fear of pricing themselves beyond the ability of parents to pay. The full value of each tax credit dollar would flow directly and immediately to higher education."

To wit, the colleges. As I said a moment ago, this bill is just subsidizing the colleges. It is not really, in point of fact, ever going to help any family or any individual.

If Senators have any further doubt about it, here is what the article quotes Arthur G. Coons, president of Occidental College in Los Angeles, as saying:

There is little doubt but that the great majority of independent colleges and universities, and to some extent also the publicly oriented colleges and universities, would increase tuitions further in the event the tax credit plan should be adopted.

The article continues:

The whole idea started as a way to aid the colleges, admits Waldo C. M. Johnston, associate director of alumni relations at Yale—

Which is that big university in the State of Connecticut—

but, he explains, "In order to get the American Council on Education to sponsor the proposal we were forced to reverse our field and place the emphasis on the side of the parents.

"While this reversal may have had momentary advantages by making the proposal more salable to Congress and probably State universities, I think the wheel of fortune has turned to a point where the emphasis once again should be placed where it belongs. The fact that the tax credit plan would enable institutions to raise their tuition without adding 1 cent to the burden parents are already paying is a thoroughly convincing statement."

It is plain to see what they plan to do. The proposed amendment, as a matter of fact, would not help anybody except the universities, and particularly the big universities, the most well-to-do universities.

Here is a statement from an administrator of another institution. Dr. Roger A. Freeman, of Stanford University, said he believes:

"Institutions," Dr. Freeman [Dr. Roger A. Freeman, senior staff member of Stanford University's Hoover Institution on War, Revolution, and Peace] believes, "may be expected to recoup as much as three-fourths of that through increased tuitions. Tax concessions need not aim as much at providing relief for students and their families as at enabling colleges to augment their tuition income without proportionately increasing the burden on those who pay."

Further than that, the Ribicoff amendment has other shortcomings which the article points out, as follows:

The Ribicoff bill shortchanges you if you live in, say, California or one of the many other States that have developed modern systems of public colleges and universities. With some exceptions it favors the North Atlantic States as a group. Two out of three students in that area attend private institutions, almost the exact reverse of the Nation as a whole.

The State of Massachusetts, for example, spends only \$6.47 per capita on higher education. It has great and expensive private universities, but until recently its State university was a stepchild. California, on the other hand, spends about seven times as much per capita, \$45.14. Eighty-five percent of California's students attend public institutions, 50 percent the excellent free or very cheap junior colleges.

States that spend a lot on their State colleges have low tuition rates, because they've already taxed themselves to guarantee it. Under the Ribicoff bill, taxpayers in these States would receive smaller tuition credits

and would pay more of any increase in Federal taxes imposed to make up the \$1 billion shortage.

Seymour Harris, Harvard economist and an expert on college finances, has called tax credits costly and wasteful, because they would be available to families irrespective of need, and unfair, because they discriminate against families not paying income tax or paying very little.

Today out of 100 college-age young people in the top one-third income level, 55 enter college. In the bottom one-third only 10 out of 100 make it.

Thus, Mr. President, it seems to me rather obvious that the argument I was presenting, to which great exception was taken by the Senators from Connecticut and Colorado, is being supported by these professors and men in education who themselves admit just what we are saying, that the bill as drafted is calculated to help those who need such help the least, that it is calculated to benefit mostly universities in a certain area of the country and not help colleges and universities equally throughout the country.

That is one of its basic faults.

To go back to my original theme for just a moment, as to the cost of this particular program and other programs, and why I believe we should be concerned about cost at this time, we must recognize that the Federal Government did take large steps toward meeting the cost of higher education through the Higher Education Act of 1965. It would be the course of wisdom to get more experience on the actual operation of the Higher Education Act of 1965 before we commit ourselves to a new program that goes off in a different direction. It should be recognized that the subsidized loan program contained in the 1965 act does provide dramatic savings for a very large proportion of students, in many cases, larger savings than would be provided through the amendment now under discussion.

Mr. SYMINGTON. Mr. President, will the Senator from Florida yield to me for a brief insertion, without losing his right to the floor?

Mr. SMATHERS. I am happy to yield to the Senator from Missouri.

Mr. SYMINGTON. Mr. President, I would normally want to join the Senator from Connecticut in voting for his amendment to provide tax credit for higher education expenses, and last year I joined some 37 cosponsors of his bill to that end, S. 12. It has long been my opinion that the Government should do everything within reason to encourage and support higher education; and the Ribicoff bill moves toward that goal.

Now, however, we have another problem, the price of freedom, reflected not only in the security forces we currently have around the world, but also in our effort to repel aggression in Vietnam. Because of this heavy additional pressure on the National Treasury, I do not believe that at this time we can afford to make a commitment along the lines of the tax credit proposed by the able Senator from Connecticut.

Mr. President, I thank the Senator from Florida for his gracious courtesy in yielding to me.

Mr. SMATHERS. I thank the distinguished Senator from Missouri for his fine statement. Let me state to him that I have been arguing right along that line for the last few moments. This year, we passed \$200 million more than the President asked for in the cold war GI bill of rights which, in my judgment, is really an education bill.

On top of that, yesterday we adopted an amendment which will cost \$750 million a year, and over 5 years will be \$3.5 billion. If we adopt the amendment of the Senator from Connecticut we will add another \$1 billion in cost to the Federal Government; and then, if we adopt the amendment of the Senator from Indiana [Mr. HARTKE], which he will offer in a few moments, this will cost \$1 billion loss of revenue to the Government. Instead of having a revenue raising bill, we will end up by having a tax cutting bill. Yet, we are trying to raise revenue in order to meet our commitments in Vietnam.

What are we doing?

We are loading the bill down with gifts—as the Senator from Louisiana has stated, sort of like Santa Claus.

Mr. President, I cannot help thinking that we are more responsible in the Senate than that. It seems to me that instead of providing ammunition and providing encouragement and backstopping our boys fighting in Vietnam, and loading their guns, so to speak, we are unloading them. We are going in the reverse direction.

I certainly agree with the statement made by the distinguished Senator from Missouri.

Finally, I believe that while the tax credit approach is promising, there are quite disturbing problems in any particular version of this approach which require further study. It is not a happy aspect of this approach that no benefit is provided to those parents, of college students, who have no income tax liability. As we know, other approaches have been advanced to provide benefits to parents in a way that might be more equitable than that provided in the present amendment. I have advanced an alternative approach. The Senator from Vermont [Mr. PROUTY] has also advanced an approach which is worthy of study.

I am, however, unwilling to support the proposal in the present form and at the present time. Our general economic situation does not permit this kind of tax reduction. We need further experience under the Higher Education Act of 1965, and we need further study of the particular form of a measure which provides some financial relief to the parents of college students if such a measure is to be adopted.

EXPLANATION OF UNRECORDED VOTE BY SENATOR MORSE OF OREGON ON THE GORE AMENDMENT

Mr. MANSFIELD. Mr. President, on yesterday when the vote was taken on the amendment of the Senator from Tennessee [Mr. GORE], the bells which summon Members to the floor for a vote were in a state of disrepair. They did not ring in the office of the Senator from Oregon [Mr. MORSE] and several other Senators, as they should have. He was not otherwise notified that a vote was in progress.

The Senator from Oregon was in his office waiting to come to the floor for the vote but he was not advised, as he should have been, when the vote came.

The leadership regrets deeply the breakdown in the technical system of notification. And it is most deplorable, therefore, that the Senator from Oregon is not listed on the vote on the Gore amendment. Under the rules, moreover, it is impossible to rectify the matter, except to announce, as the leadership did on yesterday, that had the Senator from Oregon been present he would have voted for the Gore amendment. His position on the issue involved is clear and unequivocal and it is regrettable that, through no fault of his, that the vote of the Senator from Oregon was not taken.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum, and I believe it is wise that we inform both cloakrooms that under the unanimous-consent agreement this will be a live quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll and the following Senators answered to their names:

[No. 49 Leg.]

Aiken	Harris	Mundt
Allott	Hart	Nelson
Anderson	Hartke	Neuberger
Bartlett	Hayden	Pastore
Bass	Hickenlooper	Pearson
Bayh	Hill	Pell
Bennett	Holland	Prouty
Bible	Hruska	Proxmire
Boggs	Inouye	Randolph
Brewster	Jackson	Ribicoff
Burdick	Javits	Robertson
Byrd, Va.	Jordan, N.C.	Russell, S.C.
Byrd, W. Va.	Jordan, Idaho	Russell, Ga.
Cannon	Kennedy, Mass.	Saltonstall
Carlson	Long, Mo.	Scott
Case	Long, La.	Simpson
Clark	Magnuson	Smathers
Cooper	Mansfield	Smith
Cotton	McCarthy	Sparkman
Curtis	McClellan	Tennis
Dirksen	McGee	Symington
Dominick	McIntyre	Talmadge
Douglas	McNamara	Tower
Eastland	Metcalf	Tydings
Ellender	Miller	Williams, N.J.
Ervin	Mondale	Williams, Del.
Fong	Monroney	Yarborough
Fulbright	Montoya	Young, N. Dak.
Gore	Morse	Young, Ohio
Gruening	Morton	

Mr. LONG of Louisiana. I announce that the Senator from Idaho [Mr. CHURCH], the Senator from South Dakota [Mr. McGOVERN], the Senator from Utah [Mr. MOSS], the Senator from Maine [Mr. MUSKIE], and the Senator from New York [Mr. KENNEDY] are absent on official business.

Also, I announce that the Senator from Connecticut [Mr. DODD] and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The Senator from Arizona [Mr. FANNIN], the Senator from California [Mr. MURPHY], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The PRESIDING OFFICER. A quorum is present.

The Chair recognizes the Senator from Connecticut [Mr. RIBICOFF].

Under the unanimous-consent order the 40 minutes of debate is to be equally divided between the junior Senator from Louisiana [Mr. LONG] and the junior Senator from Connecticut [Mr. RIBICOFF].

Mr. RIBICOFF. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Connecticut is recognized for 5 minutes.

Mr. RIBICOFF. Mr. President, this debate has now extended over a period of nearly 3 years. There is no question in my mind that Senators are well informed on the issues on both sides.

However, there has been raised the question of the nature of this bill and other issues to which I would like to address myself.

The pending bill is designed to raise funds and revenues for the Vietnam war. It is said that this amendment would cut \$1 billion into funds available for the Vietnam war. I was well aware of the purposes for which this bill was designed. In drafting the amendment, we were careful to so draft it so that it would have no impact on revenues until the year 1968. The amendment was drawn to accomplish that in this way.

It was provided that no credits would come into existence until after December 31, 1966. That means credits could be claimed only for tuition paid in the year 1967 and thereafter. They would first appear on the tax returns due April 15, 1968.

As the manager of the pending bill pointed out in the CONGRESSIONAL RECORD, this bill was designed to raise \$6 billion for the fiscal years 1966 and 1967.

Not a dime that would be used for this amendment would in any way encroach on the revenues in 1966 and 1967.

It was further pointed out by the manager of the bill that it is anticipated that there will be a budget surplus in the year 1968.

Another argument made on this bill is that this is a rich man's bill.

Of the total amount, 62 percent of the benefits under this provision would go to taxpayers in the bracket between \$3,000 and \$10,000 a year. Ninety-one percent of all benefits would go to people earning gross incomes under \$20,000 a year.

The next argument is that the amendment favors private colleges. Again, we were most zealous to draw the amendment to give preference to public and land-grant colleges. This was done by a tax credit formula weighted in favor of public and land-grant colleges. We did it as follows: 75 percent of the credit would apply to the first \$200 of tuition. This means that if a land-grant college charged \$200 for tuition, fees, and books, the person paying \$200 would receive a credit of \$150. The 25 percent would be credited on the next \$300, which is the sum of \$75; and only 10 percent on the next \$1,000. The maximum amount of credit available would be \$325.

We have printed at page 4788 in the RECORD a table which lists most State universities and land-grant colleges in our Nation. We pointed out the amount of dollar benefit of tax credit to

be received by students going to these universities and colleges.

We were very careful to take into account that last year Congress passed a scholarship program. This scholarship program provided 140,000 scholarships to be made available to the low-income groups.

What has not been done in the United States in tax policies is to take care of the problem of the middle-income families.

The College Scholarship Service, which assists major universities and colleges in determining how scholarships and allocation of financial help should be made available to students, points out that a family earning \$6,000 income before taxes, before funds would be made available to that student, would have to pay \$790 toward the education of their child. A family earning an income before taxes of \$8,000, before having available to it financial help, would be required to pay the sum of \$1,290.

The PRESIDING OFFICER. The time of the Senator from Connecticut has expired.

Mr. RIBICOFF. I yield myself an additional minute.

We have been very careful to provide for people who are at the poverty level. I support such measures. We were very careful yesterday, in rejecting an amendment offered by the Senator from Tennessee [Mr. GORE], who is now occupying the chair, to preserve the investment credit to large corporations. If we were unwilling to provide for a suspension of the investment credit for machinery, it is difficult for me to understand why we are unwilling to provide middle-income groups with investment credit for education, because the brainpower of America is our principal asset.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. RIBICOFF. Mr. President, I am pleased to yield myself an additional minute to respond to the Senator from Kentucky.

Mr. COOPER. As I understand, the Senator from Connecticut states categorically that the amendment would have no impact on revenues until fiscal year 1968. Is that a correct statement?

Mr. RIBICOFF. That is correct.

Mr. COOPER. It would not diminish revenues that would be raised by this tax bill to assist in financing the war in Vietnam?

Mr. RIBICOFF. That is correct. The amendment has been carefully drawn to provide that the first time the credits would show up would be on the tax returns of 1968.

Mr. COOPER. Would the Senator wish to comment on the impact on revenues in fiscal 1968? What would he consider the impact to be?

Mr. RIBICOFF. I estimate that in fiscal 1968 the impact would be to the extent of about \$1 billion. By 1970, it is estimated that the impact would be \$1,300 million. Of course, as the number of students in college increases in future years, the impact would be greater, depending on the number of students at-

tending college. I point out, however, that it is anticipated that the revenue picture of the Government will change substantially by 1968. I am not a sufficiently capable seer to try to estimate what the revenue picture of our country will be after 1968.

Mr. COOPER. I know the Senator cannot do that.

But the Senator from Connecticut argues that whatever the fiscal position is, it is his belief that the amendment is of much importance in assisting those who do not benefit under any existing educational legislation. Whatever its fiscal impact, he feels it is important that the amendment be adopted.

Mr. RIBICOFF. That is correct. I was so zealous concerning the positions of both the administration and of the chairman of the Committee on Finance that I made certain that the amendment was designed not to impair the revenues of 1966 and 1967.

Mr. COOPER. I thank the Senator from Connecticut.

In 1964, when the Senate was considering the general tax bill, which became the Revenue Act of 1964, I voted for a similar Ribicoff-Dominick amendment. This amendment would give reasonable tax relief to parents bearing the heavy financial burden of sending children to college and helping support them while there.

The amendment is needed and it should be enacted into law. In the debate, it has been said that the cost of the amendment will not be felt for 2 years, and it has been established that would not cause a decrease in the additional funds required now for the war in Vietnam.

The budget deficit projected by the President is \$1.8 billion, and it is a projection based on the approval of this bill and upon other temporary fiscal management measures, all of which may not be realized.

My judgment is that the costs of the war will increase, and I believe that this increase will mean that the budget deficit can be much larger than the President has anticipated for the next fiscal year.

I do not like the reimposition of the excise taxes which were repealed last year, and I believe the additional excise on telephone service particularly strikes at a necessity and not a luxury. Nevertheless, because of Vietnam, this tax bill is designed to raise additional revenue of almost \$6 billion, including an estimated \$4.8 billion in the coming fiscal year, which will be needed for the war.

As I have listened to the debate and studied the bill, it has seemed that it might be better if the administration had proposed a general tax measure. But this has not been done, and I believe it possible that another bill will follow.

In considering this bill, I have believed that the additional revenue to be provided should go for the stated purposes given by the President, and I have not wanted to vote additional deficits by tax measures which would balance off the revenues to be raised in the period covered by this bill.

With this view of holding the full revenue sought for the needs of the war over the next year, yesterday I voted against the Prouty amendment, which is an amendment that I supported in a vote in the Senate during consideration of social security changes in 1965. I am for its purpose, as I am for its coverage and its objectives, but I did so because it would have used up over \$700 million of the revenue raised by this bill in its first year of application.

If Senator PROUTY offers this amendment to a general tax bill, I would want to vote for it. Also, I would say that though the House did not adopt such a provision in this bill it voted last month, if it acts on this amendment and provides a means for its payment, I would want to vote for its passage.

I thank the Senator and I yield back the floor.

Mr. LONG of Louisiana. Mr. President, I yield myself 4 minutes.

I regret to say that the Senator from Connecticut is in error about his amendment. The Senator said there would be no revenue impact until 1968. I hope the Senator from Kentucky [Mr. COOPER] will remain in the Chamber to hear what I am about to say, because I know that what I shall say will interest him.

The Senator from Connecticut stated that his amendment would have no impact upon revenues for fiscal year 1967. I have checked this point with the committee staff, and I am advised that the Senator is very much in error.

Persons, particularly wealthy ones, who made declarations of estimated income for 1968 would have to make them in 1967. When they made their declarations, they would begin to take their tax credit with their first quarterly payment. So they would have taken a portion of it in the first quarter, another portion at the end of the second quarter, another portion in the third quarter, and so on. So there would be a heavy loss to the Treasury at the very time the struggle in Vietnam was underway and the Government was trying to prevent a heavy deficit.

In addition, there would be a heavy revenue loss at a time when revenue was badly needed. The boys who would get the benefit would come from families who were in a position to pay the taxes. Those families are relatively well-to-do. The estimates are that 62 percent of the money to aid education will go to families having incomes exceeding \$7,500 a year. A third of the money would go to families having incomes exceeding \$10,000 a year.

As I said when fewer Senators were in the Chamber, an example comes to mind to show how completely unfair and inequitable the Senator's proposal is, if it is desired to help young persons to go to college.

In my father's family there were nine children, five boys and four girls. Every last one of them received a college education. How did they get it? That old farmer, my grandfather, sweated and worked and saved and scrimped. He did without meat on the table, so that he could get the first child through col-

lege. Then the first child did without to help the second child go through college. Both of them then sacrificed to help the third and the whole nine get an education.

What would this amendment have done for them?

This amendment would spend \$1 billion to help people go to college who could well afford to pay their way, but not a penny would go to help the poor farmer who was trying to put nine kids through school.

The idea of saying that a man and wife making \$50,000 a year—\$25,000 for the husband and \$25,000 for the wife—should get a \$325 tax credit to send a child through school is ridiculous. Furthermore, it would not have to be their own child; it could be the child of someone else. If they wanted to, they could adopt a whole school full of children and send them all to college. They could spend \$325 apiece to put those children through college.

The PRESIDING OFFICER. The time of the Senator from Louisiana has expired.

Mr. LONG of Louisiana. I yield myself an additional minute.

We had a similar amendment before our committee in 1964. We studied it and rejected it. The Senator from Oregon [Mr. MORSE] said he would have his committee study it and submit recommendations for financing higher education. The recommendations were submitted.

In addition, the Government will now provide education to our fine veterans. That has been accomplished under the leadership of the distinguished Senator from Texas [Mr. YARBOROUGH]. We are now assisting veterans, to whom we have an obligation, to get an education when they return from fighting.

But now it is proposed that those whose parents are well-to-do and well able to pay should receive the benefit of a tax credit. That is the same as making a gift from the Federal Treasury to those who are well-to-do, to enable them to send their young people to college who are being deferred from the draft. They would be sent to college with a handout from the Federal Government. It is a highly inequitable way to aid education—to provide it to those who do not need it, do not expect it, and who are well able to provide for the education of their own children.

Mr. RIBICOFF. If it is so unfair to take money out of the Federal Treasury with my amendment, would the Senator consider using money that is made available from the oil depletion allowance funds? Would he agree to use such funds for this particular purpose?

Mr. LONG of Louisiana. Mr. President, I yield myself an additional minute.

I invite the Senator from Connecticut to offer such an amendment with respect to the oil depletion allowance. Louisiana produces large quantities of oil and gas. I shall not support his amendment. I shall demonstrate to the Senator, if he brings up such an amendment, that the oil and gas industry pays more taxes than any other industry. But that is a different issue. The Senator can tie his oil

depletion proposal to the bill if he wishes; in fact, he can do it now. He can couple his oil depletion amendment to the pending amendment if he wishes, but I assure him that I will pick up a few votes that I do not have now. [Laughter.]

Mr. McCARTHY. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield 3 minutes to the distinguished Senator from Minnesota.

Mr. McCARTHY. Mr. President, I opposed the amendment when it was first offered in the last Congress. The conditions this year are such as to make my opposition even stronger than it was when the amendment was first proposed.

The Senate yesterday acted, in my judgment, irresponsibly. We ought to be concerned about adding an amendment of this kind to a tax bill when it comes before the Senate. We should not send it to conference in the hope that the House, acting through its conferees, will somehow absolve us from our faults and reverse actions which should never have been taken by the Senate.

I think that this relationship is a matter of long-range concern in the Senate. If we were concerned with the matter of fiscal responsibility in the Senate, the amendment offered by the distinguished Senator from Tennessee [Mr. GORE] should have received significant debate and attention from the Senate. The Senator from Tennessee raised a question with reference to investment credit. Economists and men who are, I think, the best judges of the condition of the investment area of our economy today have raised serious questions about the investment credit and suggested that some modification should be provided.

The Senate refused to give serious attention to that proposal in the committee or on the floor of the Senate.

The Senate then adopted the Prouty amendment which, in my judgment, is fiscally unsound and, I think, socially unsound. It also raises very serious questions about the relationship of the Federal and State Governments in taking care of some of the welfare needs of the country.

This particular education tax credit proposal as now presented is even worse than when first presented, since it is projected into 1968. One of the battle-cries of our forefathers was "Taxation without representation." It appears to me that the advocates of this amendment are in favor of representation without taxation. They are in favor of representing the people on all good things, but are not in favor of taxing the people in order to pay for what is being provided.

No one knows what the situation will be in 1968 with reference to the condition of the Federal budget, the economy, or the situation in Vietnam. No one knows what it will be, not even Secretary of Defense McNamara, who is a man whom we would expect to be most sure about his position.

I make three basic arguments against this proposal. It is fiscally unsound. I do think that we must consider this argument since there is a prospective loss of a billion dollars a year.

Second, the measure is unsound as a device for improving education in this country. The consequences of loss of a billion dollars in revenue is that education will be benefited by about \$250 to \$300 million. I believe this points out the basic fault in the proposal. Advocates say to the educators that it will provide \$1 billion for education. They say to the parents and others that they will gain \$1 billion in tax reduction. If the people who are paying the bill get the tax reduction, then the educators will not get the money. If the educators raise their tuition cost, then the people who are paying the tuition will not get the benefit. We cannot have it both ways.

The best estimate we have is that roughly one-fourth to one-third of the tax reduction will go to education; will be reflected in increased expenditures in the field of education.

We do have problems in education. Those interested in improving and expanding educational opportunities should be concerned about the budget recommendations on education. Greater interest should have been shown in the Hartke bill which would have provided a grant of approximately \$200 to every student who was fully enrolled in a college or university. This is the way to achieve opportunity on a nondiscriminatory basis.

This proposal is unsound as a matter of tax policy. We should not introduce a tax credit principle without serious consideration, and we should not do it under a condition such as this. This particular amendment would do nothing but distort the rates and confuse the tax laws of this country without full consideration by the Committee on Ways and Means of the House of Representatives or by the Committee on Finance of the U.S. Senate.

Mr. RIBICOFF. Mr. President, I yield 3 minutes to the Senator from Colorado.

The PRESIDING OFFICER. The Senator from Colorado is recognized for 3 minutes.

Mr. DOMINICK. Mr. President, I shall be as brief as I possibly can.

It seems to me that the arguments I have heard from the other side are completely irreconcilable.

The Senator from Minnesota states that we should not do this, that it would cost too much money. He then advocates doing what the Senator from Indiana [Mr. HARTKE] recommended. The recommendation of the Senator from Indiana would have cost the Treasury Department \$12 billion. To me, that does not fit together.

It is said that the universities and colleges would raise their tuition. I have here an analysis of tuition increases from 1955 to 1963. Many of the colleges, not all of them, in all of the States have been increasing their tuition.

The Senator from Florida spoke against this amendment. The University of Florida charged \$240 for educational fees and books and tuition in 1955. In 1963, they charged \$429, and the cost is still increasing. The cost is over double what it was.

The same thing can be said of the Uni-

versity of Alabama and the University of Minnesota. Expenses are going up constantly, and that is without the benefits that would be provided by such a measure.

Sixty percent of the people who have incomes of between \$3,000 and \$10,000 a year in this country have no savings at all. Forty percent of them have only \$150 in savings. The ones who would be getting the maximum amount of benefits under this proposal would be the ones who would put their own earnings into the education of their own children.

It strikes me that this is something that we can well afford to do.

Anyone who says that those who are in favor of the Ribicoff bill are in favor of promoting an avoidance of the draft is making a ridiculous statement. Anyone who voted in favor of the higher educational bill to afford an opportunity to young men and women to go to college could be classified in the same way.

The argument made on Friday and again on today by the Senator from Louisiana and the Senator from Florida is simply not accurate. It is erroneous on its face. It is ridiculous in its context.

We are trying to get something done in the way of affording an opportunity to the young people of the country to get an education. This is one way by which we can get it done.

The opportunity or lack of opportunity to go to college depends largely at this point on what happens in Vietnam and upon what the draft board will do in the way of drafting people.

That is not a question that is involved in the particular bill insofar as the amount of revenue that would be lost or not lost is concerned.

Last year we reduced taxes on the concept that it would raise revenue. This year we are raising taxes on the concept that it will raise revenue. We are doing both on the recommendation of the administration.

We are providing an opportunity for education to the young people of our country. This will enable them to make more money over their lifetime and pay back more taxes to our country. It is consistent with the idea that what we are trying to do is to give people an opportunity to earn their own living, increase their own welfare, and get their own benefits by way of hard work and college education.

This is one of the ways by which we can help them pay our country back. It would be the fourth leg of the stool.

We now have the GI bill and the Higher Education Act, and other acts for education. This measure would supplement those acts.

Mr. RIBICOFF. Mr. President, I yield 2 minutes to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized for 2 minutes.

Mr. TOWER. Mr. President, I voice my support for the amendment offered by the distinguished Senator from Connecticut and express my pride in being one of the cosponsors of the amendment.

I believe that this program, in leaving the money with the individual taxpayer,

would be an excellent way in which to assist education.

The tax-credit approach would also have the effect of limiting Federal Government control in the education field, while, at the same time, freeing sufficient funds to guarantee continued college expansion.

In this program, the taxpayer's money never leaves his control. It never goes to Washington, to be only partially returned after the cost of administration is removed.

There are no Federal strings attached to the funds. There is no Federal control. All American universities would benefit from this program, not just those who would be singled out for specific grants.

American higher education would be tremendously aided by the adoption of this amendment. I believe that families would have more money to spend on education, and I believe that they would take every advantage of it.

As an ex-college professor, a profession that I followed for 9 years before coming to this distinguished body, I can say without reservation that I can think of nothing that would be a greater stimulus and benefit to the cause of college education for more people in the United States than would be the amendment offered by the distinguished Senator from Connecticut.

I trust that after careful consideration of this proposal, the Senate will overwhelmingly adopt it. It is my firm conviction that this is one of the very best ways in which the American people can decide which universities they will support.

I earnestly hope that the Senate will adopt the amendment overwhelmingly.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 1 minute.

Mr. LONG of Louisiana. Mr. President, boys who are presently going to college are already favored. They are allowed an exemption of \$600, and their parents who contribute to their support can also claim a \$600 exemption. Families with a child in college get twice the exemption of the family of a young man who might drop out of school and go to work in a grocery store or some other place of business.

The Senator from Colorado states that this measure has nothing to do with the war in Vietnam. The whole idea of the bill is to cover the costs of the war in Vietnam.

It would seem to me that it would be a lot more reasonable and fair to appropriate a billion dollars to help the boys who are fighting get a pay raise and cover their expenses. These boys are fighting in Vietnam for our country. It would be much better to spend the money in that manner than to give a billion dollars to boys who are presently exempt from the draft. These boys do not need assistance. Their families are able to pay their tuition.

I yield 3 minutes to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized for 3 minutes.

Mr. YARBOROUGH. Mr. President, we have just enacted the Veterans Cold War Readjustment Assistance Act, which provides educational allowances for veterans, more than 3 million of whom will be eligible for that assistance on June 1.

The tuition tax credit amendment now pending would not only fail to give those veterans any tax benefit, but in addition, will make it more difficult for veterans to make ends meet.

It is generally recognized that the credit would result in higher tuition rates. In fact, many supporters of the credit have advanced it as a way of helping colleges and universities by making it possible for them to raise their tuition.

I ask unanimous consent, at this point, to have printed in the RECORD a compilation prepared by the Office of Institutional Research, National Association of State Universities and Land-Grant Colleges, entitled "Who Says the Tax Credit Plan Will Result in Higher Tuition?" It consists of five pages of statements by leading educators in the colleges of America who concede that the prime aim of this tax credit plan is to enable them to raise their tuition rates.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

WHO SAYS THE TAX CREDIT PLAN WILL RESULT IN HIGHER TUITION?

Alfred Bowker, chancellor of the City University of New York: "I don't think there is any question that things like the tax credit and the scholar incentive program in New York have the effect of providing an incentive to raise tuition. If you want to document this, I think the regents' master plan for the development of higher education in New York gives an extensive table of tuition increases in the State since the State put in the scholar incentive program." (May 24, 1965, before the Republican Task Force on Education, in testimony generally supporting tax credits, reprinted in the CONGRESSIONAL RECORD, June 7, 1965, p. 12198.)

Buell Gallagher, president of the City College of the City University of New York: "We have experience with governmental aid to institutions which is geared to the tuition payment. That experience is not reassuring. In the State of New York, the so-called scholar incentive program, geared to the tuition charge, has had the direct result of escalating tuition charges in both public and private higher education. There are no safeguards which can be built into such a program to prevent this escalation; and insofar as the purpose of the program is to help the institution, increased tuition charges became an essential sequel to the enactment." (May 24, 1965, before the Republican Task Force on Education, in testimony opposing tax credits.)

Senator WAYNE MORSE, of Oregon: "I was visited by a group of presidents of private colleges some weeks before the debate on the Ribicoff amendment. They were of religious denominations. I said: 'Gentlemen, I understand that you plan to raise your tuition fees if you get this amendment.'

"'Oh yes; but the parents of our students know that is going to be necessary. That is the only way we can get Federal money into our institutions.'" (Mar. 10, 1964, in hearings before the Subcommittee on Education of the Senate Committee on Labor

and Public Welfare, college student aid legislation, p. 255.)

John E. Walsh, C.S.C., vice president, public relations and development, Notre Dame: "The tuition tax credit plan is basically a form of Federal assistance to American higher education. It would enable colleges and universities to raise their tuitions without fear of pricing themselves beyond the ability of parents to pay. The full value of each tax credit dollar would flow directly and immediately to higher education." ("Tax Credit for Tuition for Higher Education," Notre Dame magazine, vol. 17, No. 5, winter 1964, pp. 12-13.)

Legislative Committee, Association of American Colleges (headed by President Calvert Ellis of Juniata, Pa., College: "From the beginning there has been confusion about the aims of the proposal. The original promoters claimed that their plan would help both colleges and parents, and the validity of the claim has been generally accepted ever since. Still the proposals continue to enforce the counter-argument that it is hard to see how both the college and the parent can benefit at the same time. In order to gain any financial advantage, the college would presumably have to increase its charges to students, but if charges were raised they would tend to nullify any advantage derived by parents from tax remission. The poorest parents, who would get little or no relief from tax credits, would be even worse off than they are now." (Report issued to the 1964 annual meeting of the AAC.)

The Wall Street Journal: "It would also allow many institutions to raise tuitions quickly with the assurance that the Federal income tax aid would compensate parents for the added expense" (Dec. 17, 1963).

The Chicago Tribune: "By adopting the course Congress could assist institutions of higher learning (IHL). If IHL raised their tuitions following congressional adoption of a tax credit plan, the money the Government did not collect could be transferred intact to IHL treasuries, leaving the tuition-paying parent neither better nor worse off. Insofar as IHL did not raise tuitions to an amount equal to the tax relief granted, families with one or more members in college would be money ahead" (Dec. 1, 1963).

Dr. Virgil C. Blum, chairman, Department of Political Science, Marquette University: "The prime purpose of the tax credit is to help the student pay a bigger share of the actual cost of his education. * * * His university could * * * reduce or level off its annual subsidy to him. This it could do by charging tuition closer to the full cost of his education" (Journal of Higher Education, December 1963, p. 485.)

Douglas Dillon, former Secretary of the Treasury: "If there is such an exemption for tuition, many colleges have made no secret of the fact that what they will do is simply increase—use this as a reason to increase—their tuition so as to get the benefit themselves, rather than have the benefit go to the student." (Hearings on the Revenue Act of 1963, p. 321.)

Roger A. Freeman, senior staff member, the Hoover Institution on War, Revolution, and Peace: "The tax saving or revenue loss under my schedule may be estimated at \$700 million per annum or more. Institutions may be expected to recoup as much as three-fourths of that amount through increased tuitions. * * * Congress could determine how much it desires to aid institutions of higher learning and revise the credit schedule accordingly as time goes on * * *.

"Tax concessions need not aim as much at providing relief for students and their families as at enabling colleges and universities to augment their tuition income without proportionately increasing the burden on those who pay the fee. * * * Every college in the country could boost tuition by

\$100 without adding to the college expense of any taxpaying parent." (Nov. 6, 1963, before the Senate Committee on Finance, reprinted in the CONGRESSIONAL RECORD, Nov. 14, 1963, pp. 20819-20829.)

Allan M. Cartter, American Council on Education: "Although tuition charges have advanced rapidly over the last decade, the increasing real burden on the parents of college students has been a retarding factor. A tax reduction program which shifts part of the burden from the parent taxpayer to the Federal Government is therefore likely to result in a more rapid increase in tuition charges. In contrast to the direct aid to colleges and universities proposed in the administration's education bill in this and the previous session of Congress, the only way that institutions will be helped in their critical needs by a tax deduction program is through an immediate increase in tuition charges. Many educators who advocate tax relief do so explicitly with the aim of raising tuition levels. * * * Thus, what the parent who bears the burden of college costs views as a partial 'cure' may turn out to be quite illusory, and in fact the disease may be worsened for those who would not be substantially helped by such tax reduction." (The Education Record, October 1963.)

U.S. Treasury: "Colleges could be expected to increase their tuition charges. Representatives of some private colleges have urged a deduction or credit on the grounds that it would make possible tuition increases." (Memo, Aug. 20, 1963.)

Citizens National Committee for Higher Education (a 2-year-old organization whose principal activity has been to promote tax credit legislation): The legislation "permits the entire amount of each allowable credit to go directly to an institution of higher education."

Waldo C. M. Johnston, Yale alumni board: "The basic concept of the plan as we originally envisioned it was an aid to the institution. In order for us to get the American Council on Education to sponsor the proposal we were forced to reverse our field and place the emphasis on the side of the parents rather than the institution as originally intended. While this reversal may have had momentary advantage by making the proposal more salable to Congress and probably State universities, etc., I think that the wheel of fortune has turned in this era of sputniks to a point where the emphasis once again should be placed where it belongs. The fact that the tax credit plan would enable institutions to raise their tuition 42 percent without adding 1 cent to the burden parents are already paying is a thoroughly convincing statement." (Letter, May 21, 1958.)

The income tax deduction for costs of education, Alumni board, Yale University: "If tuition were made deductible, the universities could increase their charges for tuition without increasing the burden on the parents. If tuition were made deductible, a 25-percent increase in tuition would involve no increased burden on those in the 20 percent or higher income tax bracket. Similarly, tuition could be increased by 50 percent without any added burden on those in the 33½ percent or higher income tax bracket, and tuition could be doubled without added burden on those in the 50 percent or higher income tax bracket. (The bill hereby presented) is drafted from the point of view of the educational institutions themselves, rather than the parent, for we think that the greatest good to be achieved and the fundamental purpose of the bill is the benefit of education rather than relief for taxpayers." (May 16, 1958.)

Arthur G. Coons, president, Occidental College: "I think there is very little doubt but that the great majority of the independent colleges and universities, and for that matter to some extent also the publicly

oriented colleges and universities, would increase tuitions further in the event that the tax credit plan should be adopted. Increasingly we shall be looking to a higher level of tuitions to finance our colleges and universities. I really believe that such legislation as is proposed, if adopted, would aid the colleges and universities financially for the purpose for which intended." (Letter, May 13, 1958.)

George C. S. Benson, president, Claremont Men's College: (Whether the colleges would raise their tuition) "I can assure you that they would. I have seen them increase tuition substantially without the tuition deduction and I feel sure they would do so more certainly if there were a tuition deduction." (May 12, 1958.)

Mr. YARBOROUGH. For instance, Mr. Waldo C. M. Johnston, of the Yale Alumni Board, says:

The basic concept of the plan as we originally envisioned it was an aid to the institution * * *. In order for us to get the American Council on Education to sponsor the proposal we were forced to reverse our field and place the emphasis on the side of the parents rather than the institution as originally intended. While this reversal may have had momentary advantage by making the proposal more salable to Congress and probably State universities, et cetera, I think that the wheel of fortune has turned in this era of sputniks to a point where the emphasis once again should be placed where it belongs. The fact that the tax credit plan would enable institutions to raise their tuition 42 percent without adding 1 cent to the burden parents are already paying is a thoroughly convincing statement.

All through these statements, it is shown that the real aim of those who devised this amendment and brought it to Congress, was to get added support for that limited group of universities. They are going to raise their tuition; there is no doubt about it.

COLD WAR VETERAN WILL NOT BENEFIT

Most cold war veterans will not earn enough to receive any tax credit. If he is a single man, under the present law, he can receive as much as \$900 before he has any tax liability. A married man with two children with \$3,000 of income would receive no credit. With \$3,500 of income, his total tax credit would be limited to his tax liability of \$74.

So that group of prospective students, with their tuition rates being increased, will only suffer additional hardship.

I call the attention of Senators to a pamphlet entitled "Tax Credits for Educational Expenses, or How to Spend \$1½ Billion Annually in Tax Money to Help Those Who Need It Least." This is an admirable statement on the question, prepared by the Association of State Universities and Land-Grant Colleges, Office Of Institutional Research.

I ask unanimous consent that it be printed at this point in the RECORD.

There being no objection, the pamphlet was ordered to be printed in the RECORD, as follows:

TAX CREDITS FOR EDUCATIONAL EXPENSES OR HOW TO SPEND \$1½ BILLION ANNUALLY IN TAX MONEY TO HELP THOSE WHO NEED IT LEAST

In the 88th Congress a proposal to provide an income tax credit for costs of tuition, books, supplies, and equipment at colleges and universities was narrowly defeated in the U.S. Senate. It undoubtedly will come up in the next session of Congress.

Advocates of the proposal make these conflicting claims:

1. To prevent hard pressed to pay college expenses, they say it will provide relief but to educational institutions pressed for money they say it is an opportunity to collect Federal tax money by simply raising tuition by the amount of the credit.

2. To those in the lower income brackets they say the major benefit will be to people of modest income but to those in high income brackets they indicate that tax credits bring greater dollar benefits to persons choosing to send their children to expensive schools than to persons who must send their children to inexpensive schools.

3. To those opposed to Federal tax support of institutions that discriminate on the basis of race, religion, or national origin they say the tax credit is an aid to individuals only but to those in favor of such Federal support they say that the tax credit is a way of bypassing the constitutional provisions against use of public funds for discriminatory purposes.

4. To those who favor Federal aid to education they say the tax-credit plan is not intended to supplant, but to supplement, other forms of Federal aid but to those who oppose Federal aid, tax-credit plan proponents say their plan is a major step toward supplanting all other forms of Federal aid to education.

It is time for plain speaking about the tax-credit plan for educational expenses. It is fair to judge what the plan is intended to do by the statements of its major proponents. The major organizational proponent of the tax-credit plan is the Citizens National Committee for Higher Education, Inc. This group has 5 officers and 30 members of a steering committee, as indicated in the July 1964 issue of its publication entitled Comment. The chairman is O. C. Carmichael, Jr., who is chairman of the board of Associates Investment Co., one of the country's largest loan firms.

1. Is the tax-credit plan intended primarily to benefit parents and students or to provide Federal tax money for colleges and universities?

In debate in the Senate on the issue last fall, most proponents of the measure said it was intended to provide tax relief to parents, not tax money for colleges and universities. In material prepared for use elsewhere this is not what the proponents say. For example:

Dr. Roger Freeman, economist, and member of the Steering Committee of the Citizens National Committee supporting the tax-credit plan, told the Senate Finance Committee (see the CONGRESSIONAL RECORD for Nov. 14, 1963, p. 2028):

"The purpose of indirect aid to higher education is—

"1. To augment the financial resources of institutions.

"2. To aid talented young persons with aspirations for higher education from families with limited incomes.

"The tax saving, or revenue loss, under my proposal, may be estimated at \$700 million per annum or more. Institutions may be expected to recoup as much as three-fourths of that amount through increased tuitions."

In short, Dr. Freeman believes, and so told the Senate Finance Committee that the tax-credit plan which he advocates is 75 percent a plan for getting Federal money through increased tuition, and only 25 percent a plan for providing relief to parents and students.

Dr. Oliver Carmichael, Jr., chairman of the Citizens National Committee, said in an editorial in the July 1964 issue of his publication that "Tuition tax credit will benefit the student and his parents. It will go far to ease many of the crushing pressures on our colleges and universities."

Question. How will the tax-credit plan ease pressures on our colleges and universi-

ties unless it is intended to provide indirect Federal aid to them rather than to parents?

Mr. Waldo Johnson of New Haven, Conn., and Mr. Herbert Sturdy of Los Angeles, Calif., were members of a group which framed the original major tax-credit proposal for educational expenses in 1954. Their proposal stated then, and they have repeatedly reaffirmed this position in correspondence, that the objective was to provide Federal funds for colleges and universities by the device of (1) getting a tax credit, and (2) raising tuitions by the approximate amount of the credit.

Another member of the Steering Committee of the Citizens National Committee explained in a magazine article (Journal of Higher Education, December 1963) how "a university of 5,000 full-time tuition-paying students would get an increase of \$2,250,000 in income from tuition charges" under the tax-credit plan. Is this relief to parents?

2. If the tax-credit plan is intended to aid parents, what parents would it help?

Proponents of the tax-credit plan have said repeatedly that it is so devised that most of the aid would go to parents with modest to low incomes. They justify this statement by the fact that the percentage of aid given in terms of fees paid drops as the fees rise and as income rises. The fact is, however, that in terms of money (which is what people pay educational bills with, not percentages) the tax-credit plan provides the most benefit for those who choose to send their children to institutions charging high fees, and to people of relatively high incomes. Specifically, the amendment defeated in the Senate last fall (see chart on page 21940, CONGRESSIONAL RECORD for Nov. 21, 1963) provides that the maximum amount of tax dollars going to individuals under the plan would be to those with incomes of up to \$25,000, paying tuitions of \$1,500 or more a year. Some benefits are provided under this plan for individuals with incomes as high as \$55,000 a year.

A family with an income of \$35,000 could get up to \$225 off its tax bill to help pay college expenses. On the other hand, a family with an income of only \$5,000 and five children would get no help at all since it pays no Federal taxes.

This so-called relief proposal for families that need help makes no distinction in terms of income up to \$25,000 a year. It, of course, provides no relief at all for a family unless it pays an income tax, no matter how much it sacrifices to help its children attend college. The Treasury Department has stated that a tax credit would be of negligible value to the 37 percent of all U.S. families with incomes of less than \$5,000.

An analysis of figures published by one of the principal proponents of the bill shows that almost half of the total dollar benefits would go to the wealthiest top 20 percent of the population (those earning over \$10,000 a year), while the other half of the total benefits would be shared by the remaining 80 percent of the population. And almost 10 percent of the funds would go to people earning over \$20,000 a year—only about 2 percent of the population.

In answer to criticism that the bill provides no help at all to families in the lowest income brackets, the proponents have stated that children from these families receive scholarship aid. But the income groups who would be helped most by the tax-credit plan are also the groups who get most of the scholarship aid. According to a recent study by Elmer West and Charlene Gleazer of the American Council on Education, a higher proportion of scholarship aid is awarded to students from families earning over \$11,000 than to those from families earning less than \$5,000.

Clearly, the greatest dollar benefits of the tax-credit plan go to the people who need them least.

3. The tax-credit plan would provide no help to low-income families, but would have an adverse effect on their ability to finance higher education.

If the statements of Dr. Roger Freeman and other sponsors of the Citizens National Committee for Higher Education, chief proponents of the tax-credit plan, are correct in their estimate that most of the money would be recovered by colleges and universities through higher tuition, then the tax-credit plan not only would fail to aid students from low-income families, but would actually add to their burdens in seeking higher education.

The reason is very simple. In order to collect from the parents the income tax relief given them by the Government, colleges and universities would have to raise tuition. If they raised their charges, all students would have to pay more. Students whose parents got no governmental aid from the tax credit would find themselves having to pay higher college charges. And even those families qualifying for a tax credit would find themselves no better off, since all or more of the credit would be absorbed through the higher tuitions charged. Another name for the tax-credit plan is the high tuition plan—scarcely the way to help parents eager to see their children attend college.

Comment: Sponsors of the plan commonly answer this charge either by denying it indignantly or saying that tuition charges are "going up anyway." The last is probably true. The question is "How high is up?" Every potential source of income dependent on increases in tuition charges for its realization increases the pressure to raise fees higher and higher. Every increased source of income other than tuition charges, however, helps colleges and universities combat the trend toward putting higher education beyond the reach of all but the wealthy and the few of highest talent who can win scholarships.

A fundamental concern is that the tax-credit plan will stimulate a shift in the entire basis of support for higher education from traditional sources such as private endowments and public appropriations to the students themselves.

Hit hardest by this shift would be parents of low to moderate income with children who are bright but not brilliant, and students who are trying to work their way through college.

4. How much would the tax-credit plan for educational expenses cost the Federal taxpayer?

The Treasury Department has estimated that the first-year cost would be a minimum of \$750 million, and that this would rise within 5 years to at least \$1¼ billion annually. This is the largest single "Federal aid" proposal ever put before Congress, yet it has never been the subject of detailed hearings by any committee of Congress. Such hearings would show that those who think they are getting something for nothing under the tax-credit plan are being misled. Calling the plan a "tax-credit" does not change the fact that the \$1¼ billion annual cost has to be met in higher tax rates by the taxpayers, including those who are the presumed beneficiaries of the plan.

WHAT ARE THE ALTERNATIVES?

There are a number of alternatives to the tax-credit plan. Among them are:

1. Expand the Federal share of "matching" for construction of new college and university facilities, now set at a rate of up to one-third of the cost. The Federal share might well be increased to two-thirds of the cost. This expansion would cost a third as much as the tax-credit plan and would be available to all colleges and universities to help them keep their student charges down, not raise them.

2. Return a portion of Federal income tax payments to the States for educational purposes.

3. Provide direct student aid. Although this involves many problems, it would cost less Federal money to provide every student in every college and university in the United States \$200 a year than it would to adopt the tax-credit plan, which in general would provide the most help to those who need it least.

Mr. YARBOROUGH. Mr. President, in the last 3 years we have had the greatest volume of educational legislation in the history of this Nation. I ask unanimous consent that the table of contents from the volume "Enactments by the 88th Congress Concerning Education and Training, 1963-64"—just 2 years in the vast history of educational legislation in this country—be printed in the RECORD at this point. It takes 5 pages just to list that great mass of educational legislation.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

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Mr. YARBOROUGH. Under the able direction of the senior Senator from Oregon, who is chairman of the Education Subcommittee, we have devised a great mass of other legislation, during the first session of the present Congress, to provide aid to education.	
Mr. LONG of Louisiana. Mr. President, will the Senator from Texas permit me to interrupt for an observation?	
Mr. YARBOROUGH. Yes.	
Mr. LONG of Louisiana. I merely wish to point out that a man like my grandfather, with a family consisting of a wife and 9 children, would have had to make more than \$7,334 a year to obtain any benefit at all under the proposed amendment.	
Mr. YARBOROUGH. Will the Senator yield me 1 more minute?	
Mr. LONG of Louisiana. I yield the Senator an additional minute.	
Mr. YARBOROUGH. Here is a summary of the legislative record and digest of major accomplishments of the 89th Congress during its first year, 1965, the most favorable record of legislative accomplishments in any one year in the history of this Nation.	
I ask unanimous consent that that portion of the index on page V, under the title "Education," be printed in the RECORD at this point. It includes the Elementary and Secondary Education Act, the GI bill, the Higher Education Act, the National Technical Institute for the Deaf Act, the National Vocational Student Loan Insurance Act.	
There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:	
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Mr. YARBOROUGH. In the 2 years before, we had the Higher Educational Facilities Act, we had the Mental Retardation Facilities Act, we had the Health Professions Educational Assistance Act to build medical schools. We passed acts	

which we felt were urgently needed in those fields of education.

The proposed amendment is not urgently needed.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. YARBOROUGH. Will the Senator from Louisiana yield 1 more minute?

Mr. LONG of Louisiana. I yield an additional minute.

Mr. YARBOROUGH. Mr. President, as was stated earlier in the debate, if we take the 6 million students, approximately, who are in college today, if we wanted to take \$1.2 billion and help the students directly, instead of distributing it in tuition to the few able families and the few schools with high tuition rates which would benefit, if we took that \$1,200 million and divided it equally among those students, it would amount to \$200 in cash in the pocket of every one of those 6 million students. Under such a plan, about 90 percent of those who would benefit would be the poor folks; so if we want to distribute the money equitably, let us give \$200 around to everybody in college today, instead of giving \$1.2 billion to those who need it least.

Mr. LONG of Louisiana. Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator from Louisiana has 3 minutes remaining.

Mr. McCARTHY. Will the Senator from Louisiana yield 1 minute?

Mr. LONG of Louisiana. I yield 1 minute to the Senator from Minnesota.

Mr. McCARTHY. I appreciate what the Senator from Texas has said, because what he has just described is the objective of the bill introduced by Senator HARTKE. That bill would help the veterans, the poor, the rich, and everybody who lies in between. I would suggest to the Senator that those who are interested in education should get behind that bill and also concern themselves with the appropriations with which we shall have to deal in this session of Congress.

The estimates which the Senator from Colorado [Mr. DOMINICK] has made in determining the cost of the Hartke bill is in error, he has overstated the cost by 10 to 1, if I heard him correctly say \$10 to \$12 billion; as against official estimate of the cost is \$1 to \$1.2 billion.

I hope that the Senate will reject this amendment, as it should have rejected the Prouty amendment yesterday, because my judgment is that both will be dropped when we proceed to meet with the House Ways and Means Committee before our conferees can reach the rotunda.

Mr. DOMINICK. Mr. President, will the Senator yield? I would like to speak on this matter.

Mr. McCARTHY. The Senator said \$10 to \$12 billion, did he not?

Mr. DOMINICK. The Senator said the Hartke bill would provide \$200 per person in college. That is almost 6 million people in college. The figure is \$1.2 billion.

Mr. McCARTHY. It is. And the difference between \$1 and \$12 billion is a significant mistake, I think.

Mr. DOMINICK. Mr. President, do I have the floor?

The PRESIDING OFFICER. The Senator from Colorado has the floor, but his time has expired.

Mr. RIBICOFF. Mr. President, I yield 1 more minute to the Senator from Colorado.

Mr. DOMINICK. I appreciate the statement that the Senator from Minnesota has made, and I point out that if he has a program which is going to go on, costing \$1,200 million, or whatever it is, we should figure out what the cost of it will be over the long term. All I can say is that each one of these programs of that type would require that the money be taken first from taxes, and then reduced by administrative expenses, and then sent back. The proposed amendment allows the person involved to use the money derived from his own earnings and his own ability to pay, by means of a tax credit. It is an attempt to do something for all the children under a different type of plan, which to me is far more preferable.

Mr. RIBICOFF. I yield 1 minutes to the Senator from Kansas.

Mr. PEARSON. Mr. President, as cosponsor of this amendment, I rise to voice my approval of it, and urge its adoption.

So much of the debate here today seems to represent some measurement of our great responsibilities in the war effort in Vietnam against our equally great responsibilities to the education of the American people today.

I think those aims are not inconsistent. I suggest that if anyone could define the two great problems facing the country today, they would probably be national security and education.

I was struck by a comment I heard not too long ago, when someone suggested that in the long run, the measurement of the military might of this Nation would not be in the number and the complexity of the weapons systems, but in the capabilities, the scope, and the abilities of our colleges and universities throughout the Nation, and our ability to educate the young people of this Nation.

Mr. President, I ask unanimous consent to have printed in the RECORD a statement in support of my position.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR PEARSON

As a cosponsor of S. 12, introduced last year by my distinguished colleague from Connecticut, Mr. RIBICOFF, and as a cosponsor of amendment 496 to the Tax Adjustment Act which we are considering here today I should like to add only a word to emphasize the importance, the urgency and, indeed, the reasonableness of allowing a tax credit against income tax to individuals across this Nation who are working to educate themselves or are seeking to provide their children with an adequate higher education.

Not long ago I was impressed by the comment that the military might of any nation is judged not so much by the numbers and complexities of the weapons systems they

possess but by the scope and the capacity of the educational systems which that nation may provide for each generation. It seems to me that the two great problems facing America today are national security and education. And these go hand in hand. We desire an educated citizenry, not so much because we wish each person to develop a sophisticated set of talents, aptitudes, or taste, but because the educated citizen is best able to live with himself, his community, and to make a substantial contribution to the problems of these times.

To do this we need to face the facts and stare them down and the facts are that the cost of education is rising even as the demand for educated people and skilled labor is increasing. While the President only yesterday reported a new low in the unemployment rate, it was necessary that he combine this good news with a warning that skilled labor was in scarce supply. To repeat, the need for educated people is increasing but the cost of education is also increasing and to provide some relief the amendment now before us has, I think, substantial merit.

Even now, the Federal Government is spending over a billion dollars to underwrite various programs to provide assistance to people seeking higher education. I think it not an exaggeration to argue that if this amendment is adopted we could very well find that these Federal programs will, at the end of each fiscal year, exist without great backlogs of requests and perhaps even with money yet unexpended.

The purpose here as proposed by this amendment and reduced to its simplest form is that we seek to encourage advanced education. It is clearly in the best interests of the students now working so that they may attend college. It is clearly in the best interest of parents who are sacrificing to send their children to college. It is clearly in the best interest of the colleges and universities who are struggling to meet enlarged enrollments in changing times.

If this statement would seek to touch many facets of the truth it must be conceded that this is an expensive proposition. So the managers of the tax bill have contended. So the Treasury has allowed. But I think it worth the price. In the next fiscal year, depending upon which budget figures one uses, this Nation will spend from \$125 to \$175 billion.

I share the concern of those who are concerned with the broad problem of fiscal responsibility, of budget deficits, of inflationary pressures, of the deficit in the balance of payments which such great Federal spending involves. Yet, in the proper value of things and what I conceive to be a good order of priority, college education is mandatory for our youth today. We have, by this amendment, an opportunity to make an investment in the future and I urge support of this amendment.

Mr. SMATHERS. Mr. President, how much time remains?

The PRESIDING OFFICER (Mr. RUSSELL of South Carolina in the chair). Two minutes remain.

Mr. SMATHERS. Will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield 2 minutes to the Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized for 2 minutes.

Mr. SMATHERS. Mr. President, today we have a \$112 billion budget. The first item of expense in that budget is for defense appropriations. The second item is for interest on the debt, and the third item is the amount we appropriate for education. Under our educational sys-

tem, there is no boy or girl in the United States who, through a job, scholarship, or any other method, cannot obtain an education today. Yet here we would go further than that. We do not need this particular amendment offered by the Senator from Connecticut because not only is it unnecessary to have a cost of this character, but also his particular method is the wrong approach.

The benefits of the Senator's amendment would go to the people whose incomes are \$7,500 or over. It would not help those people in this country who need help the most.

If there is any doubt about it, Seymour Harris, professor emeritus of Harvard, has called tax credits "costly and wasteful because they would be available to families irrespective of need and unfair because they discriminate against families not paying income tax or paying very little."

Mr. MANSFIELD. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. MANSFIELD. If the amendment is successfully adopted, how much would it cost on a yearly basis?

Mr. SMATHERS. I heard the Senator from Connecticut say \$1.2 billion, but let us say \$1 billion.

Mr. MANSFIELD. And the Prouty amendment, to which the Senate agreed on yesterday?

Mr. SMATHERS. \$790 million. Over the next 5 years, \$3.4 billion.

Mr. MANSFIELD. I thank the Senator from Florida.

Mr. SMATHERS. Let me add that if we adopt the amendment to be offered in a few minutes by the Senator from Indiana [Mr. HARTKE], more millions will be added.

As I stated earlier, the bill started out to be a revenue-raising bill in order to meet our commitments in Vietnam. The Senator from Connecticut stated that it is sad that we did something for machinery by retaining the investment credit. We need machinery. We need guns and bullets, planes and helicopters to supply our boys fighting in Vietnam. We are trying to get machinery to those who are trying to meet our commitments in Vietnam.

That is what this revenue measure is all about. However, it seems to me that we are going in the opposite direction and making this an appropriation bill for everyone who wishes to help the old and the young, or anybody.

We must be responsible.

The PRESIDING OFFICER. All time of the Senator from Louisiana has expired.

Mr. RIBICOFF. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Three minutes remain to the Senator from Connecticut.

Mr. CURTIS. Mr. President, will the Senator from Connecticut yield?

Mr. RIBICOFF. I yield 2 minutes to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska may proceed for 2 minutes.

Mr. CURTIS. Mr. President, the remark was just made that the pending

bill was in the nature of an appropriation bill. I reject the idea that all of an individual's income belongs to the Government and that any portion he gets back from his earnings is a gift from the Government. What we are considering here is what is an appropriate deduction to figure taxable income. The Federal Treasury is spending \$10 billion on education. If parents wish to take on the burden of paying part of that cost, why should there not be an appropriate tax benefit in order to do that? That would lessen the amount of money which would need to be appropriated.

I totally reject the idea that all of a man's income or earnings belong to the Government and that the Government will generously give him part of it back. It belongs to him and he owes an obligation to pay his just share of the taxes and if he can pay for the education of his children and thus lessen the burden upon the Government it should be a factor to be considered. That is what it is. The only one trouble with the amendment is that the Senate is too late in adopting it. However, we cannot turn the calendar back now.

Mr. RIBICOFF. Mr. President, first, in answer to the queries which the majority leader made to the Senator from Florida, let me point out to the majority leader that the Prouty amendment goes into effect in 1966, and that the Ribicoff amendment would go into effect in 1968. Thus, it does not apply this year.

Second, while the distinguished Senator talks about investment credit for machinery, which I support, I do believe that an investment credit for the brainpower and education of American youth is just as important as investment credit for machinery for America.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has now expired or been yielded back.

The question is on agreeing to the amendment of the Senator from Connecticut offered for himself and other Senators.

On this question the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BENNETT (when his name was called). On this vote I have a pair with the senior Senator from South Carolina [Mr. THURMOND]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." Therefore, I withhold my vote.

Mr. DIRKSEN (when his name was called). On this vote I have a pair with the distinguished Senator from Arizona [Mr. FANNIN]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore I withhold my vote.

Mr. KENNEDY of Massachusetts (when his name was called). On this vote I have a pair with the Senator from Connecticut [Mr. DODD]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." Therefore I withhold my vote.

Mr. NELSON (when his name was

called). On this vote I have a pair with the Senator from Maine [Mr. MUSKIE]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." Therefore I withhold my vote.

Mr. WILLIAMS of Delaware (when his name was called). On this vote I have a pair with the junior Senator from California [Mr. MURPHY]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." Therefore I withhold my vote.

The rollcall was concluded.

Mr. LONG of Louisiana. I announce that the Senator from Idaho [Mr. CHURCH], the Senator from New York [Mr. KENNEDY], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Utah [Mr. MOSS], and the Senator from Maine [Mr. MUSKIE] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD] and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

I further announce that, if present and voting, the Senator from South Dakota [Mr. MCGOVERN] would vote "yea."

I further announce that, if present and voting, the Senator from Utah [Mr. MOSS] would vote "nay."

On this vote, the Senator from New York [Mr. KENNEDY] is paired with the Senator from Idaho [Mr. CHURCH]. If present and voting, the Senator from New York would vote "nay" and the Senator from Idaho would vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The Senator from Arizona [Mr. FANNIN], the Senator from California [Mr. MURPHY], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The respective pairs of the Senator from Arizona [Mr. FANNIN], the Senator from California [Mr. MURPHY], and that of the Senator from South Carolina [Mr. THURMOND] have been previously announced.

The result was announced—yeas 37, nays 47, as follows:

[No. 50 Leg.]

YEAS—37

Allott	Harris	Prouty
Boggs	Hart	Proxmire
Brewster	Hartke	Randolph
Cannon	Hickenlooper	Ribicoff
Carlson	Hill	Russell, Ga.
Case	Hruska	Scott
Cooper	Jackson	Simpson
Cotton	Jordan, Idaho	Sparkman
Curtis	McIntyre	Tower
Dominick	Miller	Young, N. Dak.
Eastland	Morton	Young, Ohio
Fong	Mundt	
Gruening	Pearson	

NAYS—47

Aiken	Holland	Morse
Anderson	Inouye	Neuberger
Bartlett	Javits	Pastore
Bass	Jordan, N.C.	Pell
Bayh	Long, Mo.	Robertson
Bible	Long, La.	Russell, S.C.
Burdick	Magnuson	Saltonstall
Byrd, Va.	Mansfield	Smathers
Byrd, W. Va.	McCarthy	Smith
Clark	McClellan	Stennis
Douglas	McGee	Symington
Ellender	McNamara	Talmadge
Ervin	Metcalf	Tydings
Fulbright	Mondale	Williams, N.J.
Gore	Monroney	Yarborough
Hayden	Montoya	

NOT VOTING—16

Bennett	Kennedy, N.Y.	Muskie
Church	Kuchel	Nelson
Dirksen	Lausche	Thurmond
Dodd	McGovern	Williams, Del.
Fannin	Moss	
Kennedy, Mass.	Murphy	

So the amendment offered by Mr. RIBICOFF, for himself and other Senators, was rejected.

Mr. YARBOROUGH. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. SMATHERS. Mr. President, I move to lay that motion on the table.

The VICE PRESIDENT. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. TYDINGS. Mr. President, when the friends of higher education in the United States are counted, I want always to be counted among them. Consequently, when the right time comes to count the supporters of the Ribicoff amendment, I want to be among them. I have expressed my support for this proposal in the past and I want to do so again now.

The time will come to pass the Ribicoff amendment.

The time will come again to consider tax reduction and, when we do, this proposal to reduce the burden on parents who have sons and daughters in our colleges and universities must merit a high priority.

But the time is not now.

The first reason the time is not right for this proposal is that not even the United States can achieve all its goals at once—even such worthwhile goals as those in higher education.

We have already taken major steps which will provide generously for higher education. The President's budget for fiscal 1967 calls for an expenditure of \$2.8 billion for education. This is more than 80 percent higher than the fiscal 1965 level. The increase, to a great extent, reflects the Higher Education Act which we passed last year.

One major provision of the 1965 act is the guaranteed student loan program, which will enable any student, without any test of need or ability, to borrow without security for the cost of going to college. The loan will be guaranteed by State or private plans which meet the specifications we have established or directly by the Federal Government.

For 90 percent of the students using this loan program, the Government will pay all the interest while they are in school and a substantial proportion of it afterward. The Department of Health, Education, and Welfare estimates that 775,000 students will receive these federally subsidized loans next year.

Congress has also established grants and loans for the construction of college classrooms, libraries, and laboratories through the Higher Education Facilities Act. This program has expanded rapidly. An estimated 1,300 colleges and universities will receive assistance under its provisions during the coming fiscal year.

The President in his message on domestic health and education recom-

mended extension of this program for 3 more years and an increase in the funds to be authorized for construction grants in fiscal 1967. This program will not only help our colleges and universities provide necessary facilities for the growing number of students; it will also assist them substantially in holding down their tuition charges and fees.

Only last week, President Johnson signed into law the cold war GI bill of rights, which will provide educational opportunities to hundreds of thousands of young veterans. This new program exceeded the amount requested by the President by almost a quarter of a billion dollars for fiscal 1967. Over the next 5 years, it will exceed the scope of the President's recommendation by more than \$1.8 billion.

In the face of such programs, no one can argue that we have neglected the field of higher education. In fact, we have done very well for higher education. We have not met every goal. But we have accomplished so much that the need for any further action now must be weighed very carefully against the effect on the budget. This brings me to my second argument against enactment of the Ribicoff proposal now.

We have before us the President's tax program, which will increase revenues by \$1.2 billion during the remainder of this fiscal year and \$4.8 billion in fiscal 1967. These additional revenues will come on top of the revenues generated by greater economic growth—which is resulting in part, from the tax reductions we enacted in 1964 and 1965. Together, the increase in revenue from economic growth and from these tax proposals will total \$11 billion in fiscal 1967.

Unfortunately, most of this increase in revenue will be offset by the demands posed by our defense of freedom in Vietnam. The overriding concern in all our budgetary considerations at this time is, in fact, the Vietnamese conflict.

The President has asked for a supplemental authorization of \$12.8 billion for Vietnam. We have just passed a part of that supplemental authorization totaling \$4.8 billion.

This commitment to the defense and assistance of a brave ally is adding \$4.7 billion to fiscal 1966 expenditures over original estimates. It is expected to add \$5.8 billion above that level to our expenditures in fiscal 1967, making a total of about \$10.5 billion in that fiscal year in additional expenditures for Vietnam.

The war in Vietnam will absorb most of the increase in revenues generated together by economic growth and by the tax program we are considering today. Further, between today and June 1967—the end of the fiscal year for which we must budget now—we cannot know at this time that nothing will occur which will require still greater expenditures.

We hope no such development will occur, but the matter is not ours alone to control.

The President in his 1967 budget did a magnificent job in holding the deficit to \$1.8 billion while providing for foreseeable requirements of our commitment in southeast Asia. His budget is extremely tight. In fact, that is exactly

the point I want to make. There is no room—no slack—anywhere in the responsible forecasts of revenues and expenditures for any program not already contemplated in the budget. Since we cannot foresee what situation we will face in the years beyond, we have no choice but to assume that the budgets will be similarly tight.

We cannot at this time predict that either in fiscal 1967 or at any specific future time, there will be slack in the budgetary equation which will allow for the cost of more than \$1 billion resulting from the Ribicoff proposal.

At this point in time, therefore, we must look at it for what it is, a proposal to spend money which we do not have—a proposal which, without an accompanying and offsetting revenue-raising plan, would of necessity increase the deficit.

Finally, we have still another cold reality which we must face.

For 5 years, we have enjoyed unprecedented prosperity. But even as we in Congress have deliberated the tax proposals before us now, the green light of safe and healthy economic growth has changed to the amber of caution.

There are a number of respected voices within Congress and still others outside which are already calling for tighter reins on the economy. Many respected observers of the economy are urging tax increases in addition to the tax adjustments proposed by the administration.

The proposal of the Senator from Connecticut will have its day in court. I have always supported aid to higher education, both in the Maryland Legislature and in the U.S. Senate, but for the reasons that I have cited, this plan is not appropriate today. The time has not yet arrived for it. Reluctantly, then, I shall withhold my support from it and wait for a more propitious time to cast my lot in its favor.

APPOINTMENT BY THE VICE PRESIDENT

The VICE PRESIDENT. Pursuant to Public Law 170 of the 74th Congress, the Chair appoints the Senator from Oklahoma [Mr. MONROE] as an additional Senator to attend the Interparliamentary Union meeting at Canberra, Australia, from April 11 to 16, 1966.

VIETNAM—SUDDEN REDISCOVERY OF SEATO

Mr. MORSE. Mr. President, the eminent columnist for the New York Times, Mr. Arthur Krock, has written an excellent article on March 6 entitled "The Sudden Rediscovery of SEATO." Mr. Krock notes, as several of us in the Senate have noted, that the administration has suddenly shifted its emphasis to SEATO as the fundamental source of the President's authority to sustain the war in Vietnam.

Mr. Krock calls the belated argument a fragile claim. He cites Senator George's statement in the 1954 Senate debate on the treaty that "if any course of action shall be agreed, or decided

upon, then that action must have the approval of Congress, because the constitutional process—of each signatory—is provided for, we have no obligation to take positive measures of any kind. All we are obligated to do is to consult together about it."

Mr. Krock then takes note of the fact that if we have been acting in Vietnam under SEATO we have been violating the treaty for years because we have not been reporting the measures taken to the Security Council.

But the most interesting part of Mr. Krock's column is the composite he drew up of comments "made by persons interviewed by this correspondent who participated in the drafting of the treaty in 1954." This composite of their comments included the following points:

The reservation requiring constitutional processes in the case of action was written into the treaty at Secretary Dulles' insistence in order to put the other signatories on notice that the final decision to make war was vested in Congress.

Vietnam, Cambodia, and Laos are not parties and the signatories are not bound to them. They were added to the treaty area by a protocol—not for their benefit but for the benefit of the signatories.

Our trouble in Vietnam is that we have not been proceeding under the treaty, but going it alone.

I think that Mr. Krock's reference to the sudden rediscovery of SEATO is most apt. The latest memorandum of law issued by the Department of State on this subject was, as far as I am aware, dated March 8, 1965. It was entitled "Legal Basis for United States Action Against North Vietnam." This statement does not mention SEATO. Several days before the memorandum was published, the Department of State issued a statement that South Vietnam and the United States were engaged in a collective defense under the inherent right of individual and collective self-defense recorded in article 51 of the United Nations Charter. SEATO was not mentioned.

I believe that Mr. Krock has analyzed clearly and objectively a point of constitutional law. In this case it is the power of Congress to make war that is involved. It is time to rediscover our Constitution, just as Mr. Rusk has rediscovered SEATO.

I ask unanimous consent to have Mr. Krock's column for March 6 printed in the Record at the conclusion of these remarks, as exhibit 1.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. MORSE. I also ask unanimous consent to have printed as exhibit 2 an editorial from the St. Louis Post-Dispatch of March 6 entitled "Agreement with Peiping?"

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. MORSE. As the editorial points out, those seeking to downgrade and discount the proposals of the Senator from Arkansas [Mr. FULBRIGHT] for a neutrali-

zation of southeast Asia are the same people who profess adherence to the Geneva agreement of 1954 on behalf of the United States. The very purpose of that agreement was, of course, to neutralize a large area of southeast Asia—Indochina. We gave lip service to it even as we began violating it. Now, our Government officials try to discredit the whole idea even though they are fighting a war for objectives that are supposed to bring about a return to the 1954 agreement.

Finally, I ask unanimous consent to have printed as exhibit 3 an editorial from the Washington Post of today, March 9, entitled "Hatchet Job."

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 3.)

Mr. MORSE. The editorial comments on the calculated, planned operation to rid the State Department of a liberal officeholder, Mr. Abba Schwartz. It is not to be wondered at, of course, that a State Department managed by Dean Rusk, George Bell, William Bundy, and Thomas Mann cannot tolerate men in its midst who believe in freedom to travel and freedom of ideas, as a part of American foreign policy formulation.

I do not agree for a moment with the Post's explanation that Mr. Schwartz was a victim of McCarthyism on the Hill. He is a victim of McCarthyism's residue in the State Department. Perhaps the legacy of the McCarthy era on the Hill is involved in that it deprived the American Department of State of most of its top men who were willing to think in terms of optimum freedom rather than optimum security in its most narrow and limited sense.

The hatchetmen who did in Mr. Schwartz are in the administration, and particularly in the Department of State. I wish there were something Congress could do about it; but as with our China policy, which is another product of the residue from McCarthyism in the State Department, I am not very hopeful.

EXHIBIT 1

[From the New York Times, Mar. 6, 1966]

THE SUDDEN REDISCOVERY OF SEATO

(By Arthur Krock)

WASHINGTON, March 5.—The citation by Secretary of State Rusk of the Southeast Asia Treaty of 1954 as the fundamental source of President Johnson's authority to commit the United States to whatever expenditure of manpower and treasure he deems "necessary" to sustain the war in Vietnam was a shift of emphasis by the administration. And the reason is as plain as the ground is weak.

The reason was that influential senatorial voices were rising in protest against the administration's oft-reiterated claim that the President's open ended commitment in Vietnam derives from the so-called Gulf of Tonkin concurrent resolution approved by Congress in 1964.

The voices arose from Senators who had been given officially to understand at the time that the resolution would not be so construed by the administration, and some of them had stated this reservation in voting for the measure. It was in the presence of this disturbance that Rusk, in the course of his testimony before the Senate Committee on Foreign Relations, fell back on the treaty as a sworn national obligation which the President is executing with steadily mounting employment of armed force.

ARGUMENT DAMAGED

This belated argument has since been badly damaged in the critical analysis to which it has been subjected. Mr. Johnson appeared to recognize its vulnerability when he interposed in the debate a reminder that he is also Commander in Chief of the armed forces, and believes this role gives him the obligation as well as the power to make such use of these forces as he considers essential to preserve the national security when he adjudges it to stand in peril.

Though there are impressive constitutional challenges of this interpretation of Commander in Chief power when the United States is not formally at war, it has been established in previous practice. And the Supreme Court has dismissed all such challenges which have reached it for review.

The actual consequences are that (1) any President can involve the Nation in war and maintain it there indefinitely without the formal declaration which the Constitution reserves as an exclusive power of Congress; and (2) count on the declaration being made when and if his conscience or his political necessity induces him to propose it to Congress.

UTILIZED PROVOCATION

This is a fixed condition, and not a theory. But for obviously practical and technical reasons Presidents do not concede it on the public record. The alternative chosen by Mr. Johnson was to utilize the provocation of the Tonkin Gulf attack on the 7th Fleet by North Vietnamese gunboats to get a generalized expression of support from Congress. This worked well enough until it was argued, against the public record, as approval by Congress of any expansion of the war the President might make in an unforeseeable future. Then Rusk shifted the major basis for the claim to the SEATO compact.

But extracts from the 1954 Senate debate on the treaty demonstrate the fragility of this claim. In explaining the commitment to the Senate, Chairman George of the Committee on Foreign Relations made these statements:

The treaty does not call for automatic action; it calls for consultation (with the other signatories). If any course of action shall be agreed * * * or decided upon, then that action must have the approval of Congress, because the constitutional process (of each signatory government) is provided for. It is clear that the threat to territorial integrity and political independence * * * also encompasses acts of subversion * * *. (But) even in that event (the United States) would not be bound to put it down. I cannot emphasize too strongly that we have no obligation * * * to take positive measures of any kind. All we are obligated to do is to consult together about it.

In the debate which followed Rusk's new resort to the treaty. Senator MORSE made this point: If the administration is almost unilaterally waging the war on a decision that there has been "an armed attack" (that represent "a common danger") on an independent Nation within the treaty's zone of protection, then the treaty requires that the measures taken "shall be immediately reported to the Security Council of the United Nations." With respect to this requirement, said MORSE, "we have been acting in violation of the U.N. Charter for years." And when the United States at long last went before the Council it was "with an olive branch in one hand and bombs in the other."

FIRST HAND EVIDENCE

But the most effective refutation of Rusk's statement that SEATO imposes on the United States "a clear and direct commitment to the security of South Vietnam against external attack" is made by persons interviewed by this correspondent who participated in the drafting of the treaty in 1954. This is a brief composite of their comments:

The reservation as to "constitutional processes" was written in at Secretary Dulles' insistence to give notice to the other signatories that the final decision as to making war was vested in Congress. He was also a great believer in collective security, and he knew that when the French pulled out of Indochina there would be a vacuum into which the Communists would flow if there was not collective action to prevent it.

All of the parties, including Great Britain and France, are bound to the others to take action under the treaty. Vietnam, Cambodia, and Laos are not parties, and the treaty signatories are not bound to them. They were added by protocol to the treaty area, not for their benefit but for the benefit of the signatories.

Our basic trouble in Vietnam is that we have not been proceeding under the treaty but going it alone. This is due to a complete misappraisal and underestimate of the military and political considerations involved. We thought it was a minor concern we could handle ourselves without difficulty. So we did not insist that our partners participate.

For confirmation of this background, the persons interviewed cited the report on the treaty of the Senate committee. Hours of effort to procure a copy were, however, unsuccessful.

EXHIBIT 2

[From the St. Louis Post-Dispatch, Mar. 6, 1966]

AGREEMENT WITH PEIPING?

Senator FULBRIGHT went straight to the heart of the U.S. problem in Asia in a Senate speech last Wednesday. History and logic and common sense, he said, suggest that a viable settlement in Vietnam must be a part of a general settlement in southeast Asia, and therefore:

"Unless we are prepared to fight a general war to eliminate the effects of Chinese power in all of southeast Asia, we have no alternative but to seek a general accommodation. This is what really causes uneasiness among most of us. The central issue is the contest between Chinese and American power; and the prospect for a lasting peace depends far more upon the resolution of that issue than it does on the matter of who is to participate in the South Vietnamese Government and by what means it shall be formed."

What Mr. FULBRIGHT proposed was a broad agreement with Peiping to neutralize all of southeast Asia. Administration spokesmen immediately termed this idea impractical, though this is what, in substance, the 1954 Geneva agreements provided. We are inclined to wonder whether it is impractical and, indeed, whether there is any other answer.

It is easy to be negativistic. Also, as Mr. FULBRIGHT says, it is easy to advocate military escalation and difficult to indorse accommodation, since the latter is often complex, ambiguous and easily misunderstood. It is easy to cite Chinese verbal belligerence, and Chinese insistence on a prior settlement of the problem of Formosa. But perhaps ways could be found through a greater understanding of China and its problems.

For one thing, what does China think when it sees the United States, already in possession of major bases on Formosa and Okinawa, spending a billion dollars on permanent-type bases in South Vietnam? What does it think when Secretary of Defense McNamara tells Congress one day, "We have done everything humanly possible, both militarily and diplomatically, to make it unmistakably clear there is no justification for Communist China to involve itself in the war in Vietnam," and the next day U.S. bombers attack North Vietnamese targets only 40 miles from China?

Not so long ago Mr. McNamara attended a meeting of the North Atlantic Treaty Organization council and issued a warning

For Pakistan:

Signed for transmission to my Government for its consideration and action in accordance with the Constitution of Pakistan.

ZAFRULLA KHAN.

For the Republic of the Philippines:

CARLOS P. GARCIA.

FRANCISCO A. DELGADO.

TOMAS L. CABILL.

LORENZO M. TAÑADA.

CORNELIO T. VILLAREAL.

For the Kingdom of Thailand:

WAN WATHAYAKON KROMMUN NARADHIP

BONGSPRABANDH.

For the United Kingdom of Great Britain and Northern Ireland:

READING.

For the United States of America:

JOHN FOSTER DULLES.

H. ALEXANDER SMITH.

MICHAEL J. MANSFIELD.

I certify that the foregoing is a true copy of the Southeast Asia Collective Defense Treaty concluded and signed in the English language at Manila, on September 8, 1954, the signed original of which is deposited in the archives of the Government of the Republic of the Philippines.

In testimony whereof, I, Raul S. Manglapus, Undersecretary of Foreign Affairs of the Republic of the Philippines, have hereunto set my hand and caused the seal of the Department of Foreign Affairs to be affixed at the City of Manila, this 14th day of October, 1954.

[SEAL]

Raul S. Manglapus

RAUL S. MANGLAPUS,

Undersecretary of Foreign Affairs.

PROTOCOL TO THE SOUTHEAST ASIA COLLECTIVE DEFENSE TREATY

Designation of States and Territory as to which Provisions of Article IV and Article III are to be applicable

The Parties to the Southeast Asia Collective Defense Treaty unanimously designate for the purposes of Article IV of the Treaty the States of Cambodia and Laos and the free territory under the jurisdiction of the State of Vietnam.

The Parties further agree that the above-mentioned states and territory shall be eligible in respect of the economic measures contemplated by Article III.

This Protocol shall enter into force simultaneously with the coming into force of the Treaty.

In witness whereof, the undersigned Plenipotentiaries have signed this Protocol to the Southeast Asia Collective Defense Treaty.

Done at Manila, this eighth day of September, 1954.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. HARTKE. Mr. President, it is my intention to offer an amendment to the tax bill.

During the 1st session of the 89th Congress, we passed a program of reduction of excise taxes, including those on telephone service and automobile sales. I worked for these tax eliminations because they were proper and long overdue; because they placed an excessively heavy tax burden on lower and middle income

groups; and because the administration had requested their repeal as a stimulus to the national economy.

Now we have before us a bill which would restore the excise tax cuts we all worked so hard to obtain last summer. If excise tax cuts were a good idea last summer, why are they not a good idea now? Are they now any less burdensome to the lower and middle income groups? Speaking quite frankly, is not this proposal just a quick way to raise money to fight the war in Vietnam?

The primary purpose of an excise tax of this type is to curtail consumer demand for luxury items. I wish to stress that point. They are designed to curtail the buying of luxury items. This was the reason for their adoption during the Second World War, when it was essential that industry shift its emphasis from peacetime to wartime production. We could ask our people to make this kind of sacrifice then. We were in a life and death struggle with Germany and Japan, a struggle involving the freedom of the world. We could ask our people to restrict their telephone usage because telephones were needed for the war effort. We were producing no new civilian automobiles because we were too busy building tanks. Yes, we could ask our people to make these sacrifices, and we could pass laws to back up our requests.

During the 1940's, when we were fighting a two-front war and had millions of men on the battle lines, only 36.9 percent of the households in the United States had telephone service. Even then, and also during the Korean war, excise taxes were a part of a comprehensive tax program. Today we are living in the 1960's, and we are fighting a different type of war in a faraway country. According to various estimates, about 215,000 of our men are in the field, and today 83.9 percent of the households in the United States have telephone service. Thus, the telephone is no longer a luxury, nor is an automobile a luxury. Are we to ask the American public to make selective sacrifices in the 1960's, using an outdated and piecemeal tax formula, when we have been told repeatedly that Vietnam may cost us a few guns, but not any of the butter?

It is interesting to examine the record to see just what was said last summer when we were asked to cut excise taxes. As President Johnson said in the message he sent to the Congress requesting the tax cuts:

Unwise tax policy can unduly restrict private purchasing power; hold back economic growth; stifle incentives; distort decisions by consumers and producers; enlarge, rather than shrink budget deficits.

On the other hand, wise tax policy can raise the purchasing power of private citizens; expand production and create jobs; stimulate initiative and improve efficiency; reduce budget deficits by expanding the tax base and increasing tax revenues.

The proposed program of excise tax cuts and revisions will spur growth and move us closer to full employment by removing an unnecessary drag on consumer and business purchasing power. It will also lower prices to consumers; lessen the burden of regressive taxes on low-income families; raise busi-

ness profits by expanding sales and cutting costs of tax compliance; cut the Government's costs of tax collection and enforcement; end an unfair burden on many businesses and workers who produce the commodities singled out for excise taxation; free consumers from the distorting effects of these taxes on their market choices.

AMENDMENT NO. 504

Mr. HARTKE. Mr. President, in order to accommodate the chairman of the committee, the assistant majority leader, I call up my amendment, No. 504, so that we might proceed to obtain a unanimous-consent agreement.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. HARTKE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment ordered to be printed in the RECORD is as follows:

On page 52, after line 12, insert the following new subsection:

"(b) LOCAL RESIDENTIAL TELEPHONE SERVICE.—Section 4252 (relating to definitions for purposes of the tax on communication services) is amended—

"(1) by striking out the last sentence of subsection (a) and inserting in lieu thereof the following: 'The term 'local telephone service' does not include any service which is toll telephone service (as defined in subsection (b)), private communication service (as defined in subsection (d)), or local residential telephone service (as defined in subsection (e)).'; and

"(2) by adding at the end thereof the following new subsection:

"(e) LOCAL RESIDENTIAL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'local residential telephone service' means the communication service furnished to a subscriber which provides access to a local telephone system, and the privilege of telephonic quality communication with persons having telephone or radio telephone stations constituting a part of such local telephone system, if the telephone station which is furnished to the subscriber is located in a personal residence of the subscriber and is not used principally in the conduct of any trade or business.'"

On page 52, line 13, strike out "(b)" and insert "(c)".

On page 52, line 22, strike out "(c)" and insert "(d)".

On page 52, lines 22 and 23, strike out "subsections (a) and (b)" and insert "this section".

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, I have discussed this matter with the sponsor of the amendment. He indicated that he would be willing to have limited debate.

I ask unanimous consent that debate on the amendment be limited to one hour and a half, 45 minutes to be controlled by the sponsor of the amendment, the Senator from Indiana [Mr. HARTKE], and 45 minutes to be controlled by the Senator in charge of the bill.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Does the Senator from Indiana wish the time limitation to begin as of now?

Mr. HARTKE. Yes.

Mr. LONG of Louisiana. That is correct. I do not believe that those who will speak in opposition to the amendment will use the entire 45 minutes. If the Senator from Indiana finds that 45 minutes is not sufficient time, I shall yield him more time.

Mr. HARTKE. I yield myself 15 minutes. I say to my distinguished friend—and he is my friend—that I do not anticipate needing 45 minutes.

I note that during the debate on the military authorization bill, comment was made to the effect that there was a filibuster or delay on the part of those who wanted to speak on the measure. That urgency seems to have disappeared since the measure was passed. I looked at the House calendar on today and there were no conferees appointed. They were appointed this afternoon, March 9, although the bill was passed by the Senate on March 1. Conferees could not have met on this matter before this time because no conferees were appointed. It was not the fault of the Senate. The urgency seems to have now disappeared.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, informed the Senate that Mr. HAGAN of Georgia has been appointed a manager on the part of the House at the conference of the two Houses to the bill (H.R. 5688) relating to crime and criminal procedure in the District of Columbia, vice Mr. Downy excused.

The message announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 12889) to authorize appropriations during the fiscal year 1966 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, research, development, test, evaluation, and military construction for the Armed Forces, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. RIVERS of South Carolina, Mr. PHILBIN, and Mr. BATES were appointed managers on the part of the House at the conference.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (H.R. 2627) for the relief of certain classes of civilian employees of naval installations erroneously in receipt of certain wages due to misinterpretation of certain personnel instructions, and it was signed by the Vice President.

TAX ADJUSTMENT ACT OF 1966

The Senate resumed the consideration of the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Mr. HARTKE. Mr. President, I did not know that the messenger was going to come in with that message. It was very nice of him to come in with that message at this time.

Mr. President, as Secretary Fowler said, when he appeared before the Senate Finance Committee on June 8, 1965:

Reduction of our selective excise taxes increases the equity of the tax system. Many selective taxes are discriminatory and burdensome on producers, sellers, and consumers of the items subject to tax.

I believe that the Congress and the public have long felt that many of our excise taxes have no place in a permanent tax system. Thus, wherever it is appropriate to remove a particular burden on one product or another, we should strive consistently with other tax goals to provide a freely operating competitive price system, and, repeating the President's words: "end an unfair burden on many businesses and workers who produce the commodities singled out for excise taxation."

Excise taxes, unlike income taxes, impose burdens on those whose income is below the level of their personal exemptions and deductions. The present excise tax reduction program will lighten the burden of regressive taxation on low and middle income people. A great deal of the revenue involved comes from extremely regressive taxes, which are a heavy burden on low incomes. These include the taxes on telephones.

And, as my good friend and colleague, the distinguished Senator from Louisiana [Mr. LONG], a man noted for his great record of protecting the consumer's interest with respect to public utility charges, said on the floor of this Senate on June 17 of last year:

The telephone people feel that the tax reduction will mean a saving of \$17 for the average telephone customer in the State of Louisiana. The telephone company is already preparing its publications to advertise and tell the people about the tax cut, and to express their gratitude to Congress on behalf of both the company and user for the tax reduction voted by Congress.

This is what I meant when I asked earlier, why, if the excise tax cuts were a good idea last summer, they are not a good idea now. Or, are they any less burdensome to the lower and middle income groups? I do not think the people of Louisiana are any more willing to pay \$17 a year more in taxes than the people of Indiana. And I do not think the people of Louisiana need to be asked to make selective sacrifices any more than the people of Indiana.

When Secretary Fowler came before the Finance Committee a few days ago to ask for repeal of the excise tax cuts, one of the reasons he gave for asking for an increase in excise taxes was that they were easy to collect. It is apparent to me that the Treasury is more concerned with convenience than the equity of the taxes.

We could have pointed to a number of items on which we did not have the same approach. The excise tax on these items expired on December 31, 1965. These items were not increased. We went instead to the telephone and automobile.

I point out that the telephone, automobile, food, and housing are four of the basic items used by every American household today. However, if we wanted to, we could have said: "Why don't we

extend the tax on these other items?" Really, we are seeking to put another tax on the docket. It could have been said: "Why don't we put the tax back on race tracks? That tax expired last year. Why do we not put the tax back on theaters, cabarets, country club dues, the documentary stamps for stocks and bonds, light bulbs, chewing tobacco, and snuff?"

These taxes expired December 31. However, they did not put the tax on those items. Instead, the tax is proposed to be placed back on the telephones and automobiles. If the tax had been placed on the other items, it would have raised \$303 million, without the equivalent of my amendment. That would be \$303 million compared with \$315 million.

If we want to be fair, why do we not go back to the luxury items, such as I have just mentioned, and put the tax on those items? We might go a little further and put the tax back on jewelry, fur, toilet preparations, and luggage. That would account for another \$550 million. Perhaps we could go further and put on a manufacturer's tax—if we exclude the one before us at this time—on sporting goods, playing cards, air conditioners, and items of that sort. That would be another \$608 million.

The taxes on most of these other categories would have raised \$1.461 billion. The total of these taxes would be \$2 billion more than raised by the total revenue package on necessities of life.

When asking for tax cuts, Treasury was quick to point out that this would cure one of the inequities of excise taxes—their regressiveness. The fact remains that a 10-percent excise tax on a \$6 telephone bill means the user will have to pay an additional 60 cents monthly whether he makes \$3,000 or \$300,000. Twenty-one million households with telephones have less than \$3,000 annual income, and 8 million have less than \$3,000 annual income. Why should these families be faced with an increase in their cost of living, an increase which would weigh more heavily upon them than upon the higher income families?

But the elimination of the inherent regressiveness in the excise taxes was just one of the reasons given in asking for their repeal. Another reason given to repeal the excise taxes on so-called luxuries was to help simplify the tax system. Treasury pointed out that the repeal of the excise taxes on luxuries would leave the remaining excise taxes in three categories:

First. Excises levied on the benefit principle. Included in this category are such taxes as those on gasoline, tires, and tubes. These revenues go to building new highways.

Second. Regulatory excise taxes which are levied on such items as marijuana, opium, and gambling.

Finally, there are excise taxes which are sumptuary taxes, such as those on alcohol, cigars, and cigarettes.

An excise tax on telephones falls into neither of these three categories. An excise tax on telephones is a tax on a service, and it is the only service tax levied by the Federal Government. So

instead of retaining the reform we worked to bring to the tax system we must sacrifice it in the name of convenience.

The best that can be said for reimposition of those regressive, oppressive, annoying and burdensome excise taxes is that they can be quickly put back on.

This is a symptom of the method which has been selected by some responsible Government leaders for financing our Vietnam war effort—take the easy way, avoid a comprehensive, well-thought-out program of financing.

I submit that this leaves us with a financing program that is piecemeal as well as inequitable.

The amendment which I have called up, and on which I shall ask for a vote in a few moments, is very simple.

It is an amendment whose purpose is to exempt from restoration of the excise tax on telephones those subscribers who do not have business service phones but rather residential phones. It would leave the tax applicable to business service and also to toll messages. Thus the exemption would be confined to local residential service only.

I want to point out that this is not a tax on telephone companies which we are talking about eliminating. It is a tax on telephone customers, including those elderly persons living in couples or alone who maintain a phone primarily for emergency use in case it becomes necessary to call a doctor or a relative—persons who pay out more than they can really afford were it not that this protection is necessary.

The tax I wish to prevent us from restoring is a service tax, and it is one which is not justified by the comparatively small amount of money it involves. I will even concede that a tax on purchases such as automobiles is more desirable than such a tax on an essential service.

Figures of the Bureau of the Census show that in March 1960, more than half of households with telephones had incomes of less than \$6,000 per year, and that 20 percent of all telephone households had incomes of less than \$3,000 a year. In other words, once again unless my amendment is adopted we are proposing shifting part of the burden of Vietnam's costs to the low-income segment of our people. Twenty percent of telephone service or a fifth of all residential users come from the bracket below the established poverty line—not because they are splurging on a luxury when they subscribe to telephone service, but because it is as much a necessity for them as it is for the rest of us.

The growth of telephone usage has been remarkable over the years. As recently as 1940 less than 37 percent of households had telephone service, as reported to the Ways and Means Committee in its excise tax study of 1964. By 1950 the number had gone up to 62 percent, and by 1963 more than 81 percent of all households were telephone subscribers.

One of the major areas where telephone service has not kept up with the population average distribution is in our farm communities. In 1959 there were

still States like Mississippi where only 27 percent of the farms had telephone service. We are trying to remedy that situation at least in part through the support and encouragement we give to cooperative telephone systems for farm families. These are almost entirely residential phones, not commercial. The telephone tax on these phones alone is estimated at \$14 million per year.

Mr. President, I can see no logic in supplying funds to extend the rural telephone systems with one hand, only to take back \$14 million a year from the farmers whom they benefit by reenacting the telephone excise on local residential service as well as the other categories which this amendment specifically still leaves as taxpayers. Also, it is beyond dispute that the rural telephone users of whom I speak are often those who coincide with the lower income groups.

Telephones are certainly not to be considered in the same case with the items on which we impose sumptuary taxes, which we retain. Furthermore, and this is a reason for the distinction my amendment makes between residential and business service, payments for telephone service by the individual householder are not deductible from gross income for tax purposes, as they are for businesses. Yet, which of us would say that a telephone in the home is not as much a necessity for the resident as it is for the businessman?

That the householder himself thinks so is shown by the growing use of telephones to which I have pointed, and also by the fact that the majority of households with telephones, or 81.2 percent in 1963, are maintained by those with incomes below \$6,000. In 1960 the median family income in the State of Indiana was \$5,084, yet 79 percent of Indiana households had telephones. Also in Indiana, by 1960 114,000 farms were serviced by 97,000 telephones on those farms—even though the farm income in that year was only \$2,813 per household.

Mr. President, we do not need to penalize our low-income farmers, our low-income citizens, our average individuals by reimposing the telephone service excise tax on private residential telephones. We do not need to tax the opportunity of calling a doctor, a fire department, or a policeman in time of need. We need instead, as the repeal of this tax has done, to stimulate the installation of more rather than less telephones. The average telephone user, according to Joseph A. Beirne, president of the Communications Workers of America, pays approximately \$14 per year in excise taxes. The total excise revenue collected on telephone excises in 1963 was less than 1 percent of all internal revenue collections.

But what I am proposing would preserve more than half of that sum. The \$315 million provided by the tax on residential local service is, less than the cost of 10 days of the fighting in Vietnam.

We have already removed this tax. There is no reason why we should be selective in such a way as this. If we are to have new revenues for the financing of the war, let us not be piecemeal and arbitrary about it. And let us not now, for the sake of a comparative pittance, dis-

criminate against telephone users in this way. Let us instead adopt my amendment and exempt the householder from this tax upon the necessity he feels he must maintain, the telephone.

I yield the floor.

Mr. McCARTHY. Mr. President, I rise somewhat reluctantly to take issue with the Senator from Indiana, since he and I served on the Finance Committee, and generally have fought together, particularly on the matter of tax policy in recent years, including the question of excise tax reductions.

In 1964, when the tax rate extension bill was before the Senate, recommendations were made that excise taxes generally be repealed. I was among those Members of the Senate who fought from a political point of view rather courageously against accepting those reductions. After we had made the fight against them, we turned aside and came back in 1965 only to find that the administration was back recommending that practically all the excise taxes which we had attempted to keep on the statute books were now considered to be bad and that, therefore, the administration recommended they be repealed.

I had some reservations in 1965 as to whether the tax cuts which were being recommended at that time were desirable. The Senator from Indiana has cited some of the testimony and arguments which were made by spokesmen for the Treasury when the Senate was called upon to consider their recommendations.

I believe it was questionable whether these tax cuts—excepting those which related to excise taxes which were difficult to administer, and which had built-in inequities—should have been repealed; I believe particularly the recommended reduction of automobile taxes, and also the recommended reduction of excise taxes on the telephone.

The recommendations involved a misreading of the economic conditions at the time, but there was one great need to increase consumer purchasing power in 1965. The record shows clearly that consumer credit was expanding, between 1964 and 1965, from roughly \$76 billion in 1964 to \$85 billion in 1965, assuming that this involved an increase in purchasing power of something like to \$9 billion to \$10 billion.

In addition to that, personal compensation in the country was going up from \$365 billion to \$391 billion, which was a great increase in purchasing power. It was also a period in which we were approaching full employment. Therefore, to argue the need for excise tax cuts as necessary to stimulate buying power in the country seemed to me to read inadequately the economic indicators which were quite clear at that time.

In addition, we were proposing to increase social security benefits, and also to make money available to the older people in our population, under the medicare bill, which they could use to meet medical expenses, thereby releasing other income or other sources of spending power for consumer purchases.

At the same time, farm prices were rising—at least the policy of the admin-

istration was declared to be directed toward an increase and to a rise in farm income. I am pleased to say that, for a variety of reasons, that increase is taking place today.

At the same time, the employment of those who had previously not been employed, those who were unorganized and generally employed at low wages, were receiving an increase in their incomes; so that, all of these things taken together argued against the position taken that the excise tax cuts were necessary in order to stimulate consumer purchasing power.

Mr. President, now we are back in 1966, and the argument is being made that we should reinstate or at least postpone or delay, as the case may be, the application or the effect of excise taxes which were approved in the last session of Congress.

Ordinarily, my disposition would be to support the Senator from Indiana, if we did have alternate revenue, or if the Finance Committee had given the kind of thorough study to the task which I think it should have given. My judgment is, as I have said earlier in this debate, that the proposal which the Senator from Tennessee [Mr. GORE] raised for Senate consideration is that of whether some revision or modification, at least, of the investment credit provisions, which are now found in the tax code of this country, should have received much more serious attention in our committee and, following that, more serious attention on the floor of the Senate.

It is current opinion, an opinion which is becoming more widespread among economists and those studying the movement of such forces in our country, that we may have reached the point that we have overinvested in capital equipment and capital goods—the kind of inflationary forces working in that sector of the economy.

At the time that we improved investment credit, the argument was made that there was underinvestment, that our capital equipment and machinery was out of date, and that we needed a special kind of tax incentive in order to bring about the rebuilding and replacement of inefficient and obsolete equipment and capital goods in America.

I believe that was a sound argument. Certainly, the response to investment credit was a most encouraging one, but the time has passed. New equipment has been installed. New capital-producing instruments have been purchased or are in the process of being purchased. I believe, therefore, that this is the time in which we should have taken another look at investment credit to see whether perhaps it should have been cut back or, perhaps, whether there should have been consideration whether it should have been made more selective than it is now.

I am not of the opinion that this credit should be a permanent part of the tax structure, but it serves temporary ends and temporary objectives, and it should be subject to periodic reexamination. We should consider alternatives, other forms of tax reduction—excise taxes, perhaps, or reductions in the general corporate rate so that the managers of

corporations can make their own decisions.

I fear that if we permit investment credit to become a permanent part of the tax structure, we may soon find ourselves in the position in which we found ourselves after the accelerated depreciation was put into effect and had been allowed to run for a number of years. It served a good purpose but, eventually, we reached the point that some of the men responsible for investment, for the financing of American industry, came to us and almost begged us to do something about it. They stated, "It is too much temptation. We are forced to invest when we should not invest, in order to take advantage of accelerated depreciation." They stated further, "It is almost like dope, we cannot quit ourselves; but if you will change the tax laws, then we can make the necessary adjustments in our own management plans within the corporation."

Mr. President, it is my judgment that we have reached the point that this kind of study and examination should be made of investment credit. The administration and the Treasury Department evidently have a statement prepared, or will make recommendations to us. The Finance Committee did not stop to make this kind of examination itself. I wish that it had. If this had been done, I believe that we would have been in a position—I would be in a position, at least—to recommend that the excise tax increases being proposed should be denied, and that some adjustments in investment credit be substituted for them, which would replace the revenue which would be lost if we do not follow the recommendations of the committee with reference to excise taxes.

Mr. HARTKE. The Senator from Minnesota well knows that both of us feel deeply about this matter, that a complete review of the entire tax situation probably could have served a useful purpose in view of the increased cost of the war effort. The point still remains that the investment credit measure which was offered by the Senator from Tennessee [Mr. GORE] as a substitute for the excise taxes was not successful, although I supported it. The point is that the mere fact other tax approaches should have been taken, that greater studies should have been made, the fact that there are inflationary forces at work, and the fact that someone misread the economic indicators last summer, is no justification for coming back and placing a tax upon a service, or a pittance. The fact is that this is as I have indicated, 10 days of war. If we take the telephone tax that they are going to raise for next year, that is fiscal 1967, it will pay for 20 days of war. I do not know of anyone in a responsible administration position who has indicated we can have a short-term war. The New York Times stated that a 3- to 7-year war is the present indication. I do not know why we should have a tax policy which is aimed at a 6-month and temporary stopgap approach.

I might point out one other thing in regard to these excise taxes—that why, when we place them on telephones again,

we do not go back and grab some of these things which could be called luxuries?

If the administration and the leadership are sincerely concerned about taxes, I would feel much better if we would go back and reinstitute all these excise taxes rather than picking out these few.

I cannot conceive of anything except convenience and necessity, that is, necessity for easing the convenience—both of which amount to the same thing—as a reason for picking out these selective parts of our economic structure.

I am quite prepared, as the Senator from Minnesota well knows, to meet the tax problem head on. I have no hesitancy to vote for the taxes required. The previous proposal affected \$1.2 billion in taxes for fiscal year 1967. This proposal involves \$16 million. We recently passed a \$4.3 billion emergency bill. Yet we are asked to cut down a \$16 million proposal. It is like putting a toothpick up for a full-course dinner.

Mr. LONG of Louisiana. Mr. President, I have consulted with the leadership on this proposal. Ordinarily we would not do this, but I ask unanimous consent that—

Mr. HARTKE. Mr. President, will the Senator withhold his request until I send a modification of the amendments to the desk?

Mr. LONG of Louisiana. Yes.

Mr. HARTKE. I send modifications to my amendments.

The PRESIDING OFFICER. The modifications will be stated.

The LEGISLATIVE CLERK. It is proposed on page 2, line 10, after the word "means" to insert "(1)".

On page 2, line 18, before the period, to insert: ", (2) any facility or service provided in connection with such communication service".

The PRESIDING OFFICER. The amendments are so modified.

Mr. LONG of Louisiana. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. MCCARTHY. Mr. President, I find myself in considerable agreement with the case made by the Senator from Indiana with respect to the idea of raising revenues by other means if his amendment is adopted. I have not felt personally that if an amendment of mine were offered which would result in loss of revenues I should offer an amendment which would result in raising the lost revenues. I do not think the Senator from Indiana is ready, if his amendment should be adopted, which would result in loss of revenues of \$350 million, to offer the alternatives which he has talked about, or which I am talking about, which would likely be adopted by the Senate today or which would be likely to be established in conference in the event the Senate version of the bill goes to conference with a tax bill which falls far short of providing revenues proposed to be raised by the House.

However, I hope the debate may have some effect on the Treasury in moving it toward some revision of the investment tax law which we now have. I am hopeful that another alternative will be adopted, one giving the administration

discretionary authority, within limits, to increase both individual and corporate tax rates. This is an authority which, in my judgment, the administration should have under ordinary conditions for better directing the movement of our economy, but particularly so at a time like this, when the costs of escalating our military activities are quite uncertain.

The investment tax credit or the individual or corporate tax rates or the alternative taxes to which the Senator from Indiana has referred would be much more desirable taxes by which revenues would be raised to make up the losses of revenues if his amendment were to be adopted.

I think realistically the alternatives he has talked about or that I have referred are not likely to be adopted. Consequently, I think, in the name of some fiscal responsibility—although there is a relatively fine line here—I must oppose the amendment offered by the Senator from Indiana and urge the Senate to accept the position of the Finance Committee.

Mr. HARTKE. Mr. President, I yield 2 minutes to the Senator from South Dakota.

Mr. MUNDT. Mr. President, I am extremely disappointed that this proposed Tax Adjustment Act reaches the floor of the Senate still carrying among its provisions one of the most discriminatory and regressive taxes in our entire tax structure. I am referring, of course, to the telephone excise tax.

As one who has opposed this tax in the past, I shall oppose it again. I shall do so because I believe this tax is indefensible. If more money is needed to finance our operations in Vietnam we must of course make it available. We need not make it available by reimposing this tax upon telephone users, however, for there are other alternatives open to us.

I believe that first of all the President should pare down some of his domestic programs during this emergency. If sacrifice is needed, the fat can be cut off the Great Society. If the administration feels that this cannot be done or that it is politically unwise to do so, there are other tax sources which are not as discriminatory and regressive. Indeed, when President Johnson requests that the telephone tax be reimposed, a tax that hits hardest at the poor, it makes a mockery of his ringing oratory in his state of the Union address when he said he will not sacrifice the poor and the unfortunate.

That such a tax is regressive can hardly be questioned. In fact it was admitted by this same administration less than a year ago, and I fail to see how the character of this tax could have changed in that short period of time.

Over 50 percent of the residence telephones in America are in homes where income is less than the median income in the United States. Over 20 percent of them are in homes where the income is below the poverty level. Thus, a tax imposed on all residence telephones hits most heavily at the low-income group, the poor, and the near-poor.

It is perhaps difficult for those of you who come from urban States to grasp the importance of a telephone to rural areas such as my home State of South Dakota. It may be the only way to reach a doctor when a child is sick and needs medical attention immediately. It may be necessary to contact a fuel company or an electric company when for some reason the furnace has failed and the temperature is below zero. It is certainly not a luxury but rather an absolute necessity.

Mr. President, as I mentioned earlier, I had sponsored legislation in the last session of Congress which would have repealed this tax completely. When the gradual reduction plan was included in the administration's general excise tax legislation I agreed not to pursue my proposal any further. Now the Treasury Department is back asking that the tax be "temporarily" reimposed to its full 10-percent level. They claim that eventually it will be reduced until it is completely repealed. The record discloses that this promise may be an empty one.

This so-called "luxury tax" on that which is not a luxury has been a temporary one for the permanent period of 25 years. Congress has been asked to extend this temporary tax time and time again. If we reimpose the full tax this time it will be the 11th time it has happened. I do not believe we should vote to do so and I hope that the Senate will join those of us who are endeavoring to reject the attempt to reimpose this discriminatory and regressive tax.

I urge support of the Hartke amendment as at least a step in the right direction.

Mr. HARTKE. Mr. President, I yield 2 minutes to the Senator from West Virginia [Mr. BYRD].

Mr. BYRD of West Virginia. Mr. President, I would like at this time to raise my voice against the proposal which seeks to reimpose the Federal excise tax on local telephone service.

I fully realize that our Government needs additional revenues to meet our stepped-up defense requirements in southeast Asia. However, I seriously question the wisdom of arbitrarily singling out the tax on such a highly essential service as the telephone as a means of financing this effort.

It is inconceivable to me that serious consideration is now being given to restoration of the tax on telephone service while other less essential consumer goods and services are now completely exempt.

All of us will agree that in this day and age a telephone can scarcely be considered as a luxury, but is absolutely essential in the conduct of daily business and household operations. Especially in emergency situations which we all have to face from time to time—when we must report a fire, theft, or illness—is a telephone an absolute necessity. In my own State of West Virginia I was informed recently that there was only one doctor available to serve all of the people of a certain county. Thus if one of our citizens there is involved in a traffic accident or has a sudden heart attack, it is highly imperative that a telephone be available to summon help immediately.

Otherwise, it may be too late. It is entirely unreasonable to have this essential service subject once again to such a high tax.

As is true of all Federal excise taxes, the telephone tax works the greatest hardship on low-income families who can least afford to have this essential service. To reimpose this tax rate will only add to the cost the consumer must pay and will deprive more of our people of this vital service.

Therefore, let us not act hastily in restoring this tax, but let us seek to achieve more economy in Government operations, and let us look to other revenue sources which are more equitably based upon the principle of ability to pay.

Mr. McCARTHY. Mr. President, I have no requests for time.

I yield back my remaining time.

Mr. HARTKE. I yield back the time remaining to me.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Indiana (No. 504), as modified. The yeas and nays have been ordered, and the clerk will call the roll—

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendments of the Senator from Indiana [Mr. HARTKE] No. 504, as modified.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from South Dakota [Mr. McGOVERN], the Senator from Utah [Mr. MOSS], and the Senator from Maine [Mr. MUSKIE] are absent on official business.

I also announce that the Senator from New Hampshire [Mr. MCINTYRE] is absent because of illness.

I further announce that the Senator from Connecticut [Mr. DODD] and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

I further announce that, if present and voting, the Senator from South Dakota [Mr. McGOVERN] and the Senator from Utah [Mr. MOSS] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The Senator from Arizona [Mr. FANNIN], the Senator from South Carolina [Mr. THURMOND], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

If present and voting, the Senator from Arizona [Mr. FANNIN], the Senator from South Carolina [Mr. THURMOND], and the Senator from Pennsylvania [Mr. SCOTT] would each vote "yea."

The result was announced—yeas 46, nays 42, as follows:

[No. 51 Leg.]
YEAS—46

Aiken	Fulbright	Pearson
Allott	Gore	Prouty
Bartlett	Gruening	Randolph
Bass	Hartke	Ribicoff
Burdick	Hickenlooper	Russell, S.O.
Byrd, W. Va.	Hruska	Russell, Ga.
Cannon	Jordan, N.C.	Simpson
Carlson	Jordan, Idaho	Smith
Case	McClellan	Stennis
Cooper	McNamara	Talmadge
Cotton	Metcalfe	Tower
Curtis	Miller	Williams, N.J.
Dominick	Morse	Young, N. Dak.
Eastland	Mundt	Young, Ohio
Ervin	Murphy	
Fong	Nelson	

NAYS—42

Anderson	Holland	Montoya
Bayh	Inouye	Morton
Bennett	Jackson	Neuberger
Bible	Javits	Pastore
Boggs	Kennedy, Mass.	Pell
Brewster	Kennedy, N.Y.	Proxmire
Byrd, Va.	Long, Mo.	Robertson
Dirksen	Long, La.	Saltonstall
Douglas	Magnuson	Smith
Ellender	Mansfield	Sparkman
Harris	McCarthy	Symington
Hart	McGee	Tydings
Hayden	Mondale	Williams, Del.
Hill	Monroney	Yarborough

NOT VOTING—12

Church	Kuchel	Moss
Clark	Lausche	Muskie
Dodd	McGovern	Scott
Fannin	McIntyre	Thurmond

So, Mr. HARTKE's amendments, as modified, were agreed to.

Mr. HARTKE. Mr. President, I move to reconsider the vote by which the amendments as modified, were agreed to.

Mr. MORSE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. METCALF. Mr. President, I send to the desk an amendment. I ask unanimous consent that the amendment not be read, but that it be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment reads as follows:

On page 40, after line 6, insert the following:

"(f) AUTHORITY FOR SECRETARY OR HIS DELEGATE TO ALLEVIATE HARDSHIPS CAUSED BY WITHHOLDING IN EXCESS OF TAX LIABILITY.—

"(1) IN GENERAL.—Section 3402 (relating to income tax collected at source) is amended by adding after subsection (m) (as added by subsection (e) of this section) the following new subsection:

"(n) WITHHOLDING IN EXCESS OF TAX LIABILITY.—Notwithstanding any other provision of this title, the Secretary or his delegate may by regulations establish such procedures as he deems proper to alleviate hardships imposed, by reason of the amounts deducted and withheld under this chapter, on employees or classes of employees whose liability for tax under subtitle A for a taxable year is less (or is expected to be less) than the amounts deducted and withheld (or expected to be deducted and withheld) under this chapter which are allowed as a credit against such tax for such year."

"(2) EFFECTIVE DATE.—The amendment made by paragraph (1) of this subsection shall apply only with respect to remuneration paid after December 31, 1966."

On page 40, line 7, strike out "(f)" and insert "(g)".

On page 40, line 19, strike out "(g)" and insert "(h)".

On page 40, line 20, strike out "subsection (e)" and insert "subsections (e) and (f)".

Mr. METCALF. Mr. President, the amendment I have called up gives the Secretary of the Treasury the authority to devise procedures to reduce overwithholding. The bill before the Senate establishes a procedure for reducing overwithholding by allowing taxpayers to claim extra withholding allowances whenever their itemized deductions are especially large relative to their income. In effect, this particular procedure permits taxpayers to claim extra exemptions in much the same manner as they can at present for dependency deductions.

One of the good features of the bill is that it provides for more realistic withholding than is the case under the present law. For the ordinary taxpayer, the person who has an annual income, the new, graduated withholding rate is being adopted at a particularly important time, so far as both the economic situation and the inflationary situation are concerned. It provides a more realistic method of withholding.

However, even with the withholding allowances provided by the bill, there still remains a substantial volume of overwithholding attributable to such factors as seasonal employment. Seasonal workers generally receive a comparatively high weekly rate, but perhaps work for only a few weeks out of the year. They include clothing workers, coal miners, loggers—especially in the part of the country from which I come—cannery workers, seamen, and building trades workers who engage in some specialties in some areas.

Because of this, the amendment I am now presenting authorizes the Secretary of the Treasury to provide, by regulations, procedures for decreases in such overwithholding. Thus, my amendment would provide that, notwithstanding any other provision of the new section relating to the withholding allowances, the Secretary of the Treasury or his delegate may, by regulations, prescribe the amount to be deducted and withheld from wages to the end that, to the extent practicable, the amounts deducted and withheld do not exceed the income tax liability with respect to the wages during the withholding period.

In addition, he may, by regulations, establish any other procedures to alleviate the hardships imposed on employees or classes of employees, such as those I have outlined, whose tax liability is less than the amount deducted and withheld. The procedures proposed, of course, would not allow for the payment of interest, but would enable the Secretary of the Treasury to develop any procedures which he may devise to reduce any hardship resulting from overwithholding.

Mr. GRUENING. Mr. President, will the Senator yield?

Mr. METCALF. I yield.

Mr. GRUENING. Would the Senator's proposal apply to fishermen in Alaska, who have a short working season? They fish mostly during the summer months, and during the remaining 7 or 8 months of the year they do not fish.

Mr. METCALF. That is a situation to

which my amendment would apply. The fishermen of Alaska have relatively high income for a few months of the year. The tax would be collected from them, and months would pass before they would be able to get their money back.

This measure would increase the amount of withholding. They are already at a disadvantage, but this would increase the amount that would be taken from them.

My amendment would take care of exactly that situation.

Mr. GRUENING. Mr. President, I thank the Senator.

The VICE PRESIDENT. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, I have examined the amendment of the Senator from Montana, and I am familiar with the problem which he is trying to solve. This is a real problem, and I was hoping that we could work it out.

I have discussed it with the staffs and with the representatives of the Treasury Department. They do not know how to write an amendment or formula which they could offer as a legislative proposal to solve the problem which the Senator from Montana is trying to correct.

I could not agree to go along with any delegation of authority to the Secretary. I would not like to establish such a precedent.

We should spell out our tax laws exactly as we expect them to be administered and not delegate authority.

Having discussed this matter with the representatives of the Treasury Department, I wonder if the Senator from Montana would be willing to withhold his amendment at this time. The Senator is a member of the committee, and I assure him that if he will do so I shall cooperate with him in working with the staffs and with the Treasury Department. If we can come up with a legislative proposal which would achieve the objectives of the Senator I would have no objection to it.

I am aware of the problem. It can affect us all in our respective States, but we do not have a solution. I would not want to go along with a delegation of authority.

Mr. METCALF. Mr. President, I certainly sympathize with the Senator from Delaware in his reluctance to delegate authority to the Secretary of the Treasury or to the Commissioner of the Internal Revenue Service to change the various tax laws. However, if we are going to delegate authority, certainly the authority could be delegated in this instance when we say that we will allow them to give back what they withhold.

The Internal Revenue Service has never been known to be very favorable to giving back any money to the taxpayers. The Internal Revenue Service will hold onto the taxpayer's dollar as long as it can. I am sure that in this instance there would not be any abuse. However, I agree with the Senator from Delaware that perhaps the remedy I suggested is not the exact solution.

With the assurance that the Senator from Delaware will help me in working this matter out, and with the knowledge that he is sympathetic with me, I shall certainly withdraw my amendment and go back to the committee and work with the Senator and with the Treasury Department in an effort to take care of the abuse that would result from the passage of this act.

Mr. WILLIAMS of Delaware. Mr. President, I appreciate that. I assure the Senator that I shall work with him on this matter.

I have discussed this with the chairman of the committee and he will give us his cooperation. If we can come up with a solution, we shall do it. It is a problem that exists. If we can achieve a solution, I shall be happy to help. I would like to have the Senator withdraw his amendment.

Mr. METCALF. Mr. President, I yield to the Senator from New Mexico.

Mr. ANDERSON. Mr. President, the Senator has taken a very fine position. This is a most difficult problem and needs attention and study.

Mr. METCALF. Mr. President, I point out, as the Senator from New Mexico knows, that, because we are increasing the graduated withholding, we are emphasizing and accelerating an already grievous problem.

This is a problem that we must work out. The chairman of the committee has assured me that he will help. The ranking minority Member has assured me that he will cooperate.

I am hopeful that something will be done.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. METCALF. I yield.

Mr. LONG of Louisiana. Mr. President, the suggestion certainly has merit. As the Senator knows, the only real objection to the measure by some members of the Finance Committee is based on the view that they would prefer, to have any change spelled out by statute rather than leave it to the discretion of the Treasury Department to work out regulations.

The Treasury Department does not know how it would handle the matter if it had the authority. The Department would like to have a chance to study the matter.

The Senator can have my cooperation in trying to work out a solution to the problem. There is merit in his suggestion.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. METCALF. I yield.

Mr. PASTORE. Mr. President, I realize that the Senator will withdraw his amendment. However, I wonder if he has given thought to the problem which exists in the temporary jobs of college students who work during the summer. A deduction is made from their salaries and then the students must wait until the following year for a refund, when they are actually trying to earn money with which to help them pay their tuition. However, the Government holds the money and they cannot get the money when they need it.

Mr. METCALF. The student does not get the money until January or February. He has to return to school in September. That is exactly the situation that we are trying to correct.

Mr. PASTORE. In other words, something will be worked out so that there would be no withholding at all in a situation of that kind if no tax were to be paid?

Mr. METCALF. The Senator is correct.

I thank the Senator from Delaware.

Mr. President, I withdraw my amendment.

The VICE PRESIDENT. The amendment is withdrawn.

AMENDMENT NO. 502

Mr. HART. Mr. President, I call up amendment No. 502.

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 49, beginning with line 3, it is proposed to strike out all through line 16 on page 51 (sec. 201 of the bill relating to passenger automobiles).

Mr. HART. Mr. President, I shall speak very briefly in support of this amendment. It is a subject with which all of us are very familiar.

A year ago after intensive study and debate, a scheduled elimination of the excise taxes on automobiles was agreed to. The bill before us would postpone the application of that scheduled deduction.

I acknowledge that when one from Michigan offers an amendment such as this, he is suspect because cars are made in Michigan. However, the consumers of these vehicles are located in 50 States of the Union.

The burden that we seek to lighten falls in all 50 States.

Let me review very briefly, facts made clear last year. This tax is wholly discriminatory. It targets in on one business with precision, and really the justification that is offered for it is that it is easy to collect. That is a so-what argument. Is it fair? Is it right? Is it equitable? Those are the tests we should apply. In our judgment it meets none of these tests.

Those who oppose my amendment now argue that this is the wrong time. It is quite true that the automobile industry is enjoying a profitable return. It is an industry that does consume basic materials. It is an industry that gives employment and consequently drains off from the labor force.

Parenthetically, the automobile industry employs 1 out of every 6 employed in this country either in direct and indirect support of the industry. But in reply, one can say that no time is the wrong time to do what is right. To do what is right is always appropriate.

If Senators share with us the conviction that this is a discriminatory tax, a regressive tax, then I think we should correct it. Now is the right time to do this.

Let me plead guilty to some pangs of conscience here.

I have and shall continue to insist that there are domestic needs unmet, which should be met, which have just as high priority as anything which confronts the

country. Victory in the war on poverty will be more satisfying than any victory obtained in armed conflict. Determined prosecution of that war on poverty must be continued.

In taking that position, I have a special responsibility to be conscious of revenue needs. It was for this reason that I supported the effort of the senior Senator from Tennessee [Mr. GORE], who sought to continue the scheduled reduction of the auto excise tax by substituting as a compensating revenue source the elimination of the 7-percent investment credit. This to me made good sense. It still does. It protects the principle of fairness by removing the discriminatory auto excise tax while providing offsetting revenue.

I regret that his effort, which I supported, met with very little success. We got only 10 votes. It was the preferable way to do it. However, we failed in that.

I think a principle important enough to be brought to our attention again is involved. Here we have a tax which is clearly intended to hit one segment of our economy, and one segment only. Let us not forget that there are approximately 2½ million families of \$7,000 annual income who buy a car in this country. Home and automobile are the largest investments of the American family, and in very many cases today the automobile is a necessity, and economic necessity.

Think also of the situation this bill will cause unless we adopt my amendment. On April 1, 1968, the auto excise would drop from 7 to 2 percent. Think of the deterrent this will be to the purchase of a car the closer we come to the spring of 1968; think of the severe distortion in the used car market.

I wish very much that we were responding to our need for additional revenue by a tax increase of broad application reaching broad sectors of our economy. We are not, and I have very little illusion about the attitude of the Senate toward this proposal. Certainly, our 10 votes on the Gore amendment reflect the attitude which I believe unwise.

In summary, Senator McNAMARA and I ask support for this limited proposal, one which will keep on schedule the removal of an excise tax which is regressive, discriminatory, calls for selective sacrifice on an item of necessity in many cases; which is, in short, not sound tax policy.

Mr. LONG of Louisiana. Mr. President, I can understand that a telephone is a necessity, and that some Senators felt they should vote to continue the reduction in the telephone tax we approved last year.

But a new automobile is not a necessity. The people who buy new automobiles are in a position to pay taxes. They make enough money to pay taxes. In fact, they pay a sizable amount in taxes on gasoline and various other things. We are trying to tighten our belts to cover the cost of the war in Vietnam. I would hope that this amendment would not be agreed to, because it does not seem to me that the tax on new automobiles is a particularly burdensome tax. The individuals who pay the tax are more fortunate than a great many of their

neighbors. Those who buy used cars, of course, have no tax to pay.

The revenue effect of this bill, by the various amendments which have been agreed to, has been reduced by a billion dollars. As it stands now, the long-term effect of the bill, once the corporate speedup has expired, will be to lose more revenue than it will gain. That being the case, I hope Senators will not insist on further reducing the amount of revenue to be realized.

The PRESIDING OFFICER (Mr. HARRIS in the chair). The question is on agreeing to the amendment of the Senator from Michigan.

The amendment was rejected.

Mr. DIRKSEN. Mr. President, I should like to inquire of the majority leader or the manager of the bill if they know how many more amendments are pending, and how long they are likely to be discussed.

Mr. LONG of Louisiana. Mr. President, I imagine there will be about three more amendments. I do not anticipate there will be insistence on the yeas and nays on more than one of them.

We may take one of the amendments to conference, and that being the case, I should imagine we would be able to finish tonight.

Mr. DIRKSEN. Mr. President, I wish to inquire further. The Senator from New York [Mr. JAVITS] has an amendment which he will discuss for perhaps 10 minutes. Will he then press it to a vote?

Mr. JAVITS. It depends on the manager of the bill. I rather hope it will not be necessary, but I cannot state positively.

Mr. DIRKSEN. I think the distinguished Senator from Texas [Mr. TOWER] also has an amendment.

Mr. TOWER. I am perfectly agreeable to a controlled time situation on my amendment.

Mr. DIRKSEN. I believe that will be agreeable to the Senator from New York as well.

Mr. JAVITS. The Senator is correct.

Mr. DOUGLAS. Mr. President, I shall propose an amendment. I think the discussion, as far as I am concerned, will be rather brief; I hope the manager of the bill will accept it, and if he does, we should be able to conclude the matter fairly quickly.

Mr. LONG of Louisiana. Mr. President, I ask that debate on the three amendments we have been discussing be limited to 20 minutes on each amendment, to be controlled by the sponsor of the amendment and the manager of the bill.

The PRESIDING OFFICER. Does the Senator mean 20 minutes to a side?

Mr. LONG of Louisiana. Ten minutes to each side.

Mr. TOWER. Mr. President, reserving the right to object—

Mr. LONG of Louisiana. If the Senator needs more time, we can work it out.

Mr. TOWER. Reserving the right to object, I am concerned about the nature of the amendment being offered by the distinguished Senator from Illinois. I should like to know what that is before I agree to a controlled time situation on every amendment.

Mr. LONG of Louisiana. It is not a policing amendment, I assure the Senator.

Mr. JAVITS. Mr. President, reserving the right to object, as far as I am concerned, I should like to make it 15 and 15.

Mr. LONG of Louisiana. Why not make it 15 and 15?

Mr. GORE. Mr. President, reserving the right to object, I hesitate to do so, but I simply do not think that 10 minutes to a side, or 15 minutes to a side, on a tax amendment, particularly one involving such an important matter as the one Senator DOUGLAS will offer, is adequate. Therefore, I must object.

The PRESIDING OFFICER. Objection is heard.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. PASTORE. Why not do them one at a time?

Mr. LONG of Louisiana. Well, then, I ask that the limitation apply on the first two amendments, because, as I understand, they do not involve large amounts of money, or unusual questions.

The PRESIDING OFFICER. Is there objection? The chair hears none, and it is so ordered.

The time on the amendments of the Senator from New York and the Senator from Texas will be 30 minutes each, to be controlled by and divided equally between the sponsor of the amendment and the manager of the bill.

Mr. JAVITS. Mr. President, I call up my amendment, and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the end of the bill, it is proposed to add the following new section:

SEC. —. TAX CREDIT FOR EXPENSES OF EMPLOYEE TRAINING PROGRAMS.

(a) DEFINITION OF QUALIFIED INVESTMENT.—Section 46(c)(1) (relating to qualified investment) is amended—

(1) by striking out "plus" at the end of subparagraph (A);

(2) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof ", plus"; and

(3) by adding after subparagraph (B) the following new subparagraph:

"(C) the employee training program expenses (as defined in section 48(h)) paid or incurred by the taxpayer during such taxable year."

(b) DEFINITION OF EMPLOYEE TRAINING PROGRAM EXPENSES.—Section 48 (relating to definitions and special rules) is amended by redesignating subsection (h) as (i), and by inserting before such subsection the following new subsection:

"(h) EMPLOYEE TRAINING PROGRAM EXPENSES.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'employee training program expense' means only an expense which—

"(A) is allowable as a deduction under this chapter, and

"(B) is incurred by the taxpayer in providing one or more approved employee training programs in connection with his conduct of a trade or business.

Such term does not include any expense incurred by the taxpayer in the conduct of his trade or business without regard to any approved employee training program provided by him.

"(2) APPROVED EMPLOYEE TRAINING PROGRAMS.—For purposes of paragraph (1), the term 'approved employee training program' means only a program which—

"(A) is designed to afford training to employees or prospective employees of the taxpayer in trade, business, industrial, or scientific skills which have been determined by the Secretary of Labor to be necessary—

"(i) for the national defense,

"(ii) to replace skills of the individuals receiving training which have become obsolete because of advances in trade, business, industrial, or scientific procedures or techniques, or

"(iii) to replace skills of the individuals receiving training which have become unneeded because of changes in the national defense program; and

"(B) has been approved by the Secretary of Labor as fulfilling the standards, requirements, and conditions prescribed by him for purposes of this subsection (including requirements relating to the employment or continued employment by the taxpayer of individuals receiving training).

The Secretary of Labor shall withdraw his approval of an employee training program previously approved by him if he determines that such program no longer fulfills the standards, requirements, and conditions prescribed by him for purposes of this subsection."

(c) CLERICAL AMENDMENTS.—(1) The heading for section 38 is amended by inserting after "PROPERTY" the following: "AND EMPLOYEE TRAINING PROGRAMS".

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after "property" in the item relating to section 38 the following: "and employee training programs".

(3) The heading for subpart B of part IV of subchapter A of chapter 1 is amended by inserting after "Property" the following: "and Employee Training Programs".

(4) The table of subparts for part IV of subchapter A of chapter 1 is amended by inserting after "property" in the item relating to subpart B the following: "and employee training programs".

(5) The heading for section 381(c)(23) is amended by inserting after "property" the following: "AND EMPLOYEE PROGRAMS".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1965. In applying section 46(b) of the Internal Revenue Code of 1954, to the extent the excess described in such section for any taxable year beginning after December 31, 1965, is attributable to employee training program expenses, such excess shall be an investment credit carryback only to a taxable year beginning after such date.

Mr. JAVITS. Mr. President, my amendment proposes to include within the existing 7-percent investment credit for new equipment and machinery, any money which is invested in a training program for workers which is approved by the Secretary of Labor. Such training programs may encompass only the following categories: Where the training is necessary for the national defense; or the training is necessary to replace skills of the individual which have become obsolete because of automation or technological change; or to replace the skills of individuals dislocated because of changes in the national defense program, such as, for example, the shutdown of the Brooklyn Navy Yard in my State, where thousands of people have been let out.

In these cases, if the employer complies with the criteria established by the Secretary of Labor for a manpower

training program, then the amounts which the employer expends in that respect would, along with, or in place of, his new equipment investments, be entitled to the 7-percent credit.

The estimated loss of revenue which would result, as closely as I can get it, would result only from the fact that there would be some modest increase in the use of the 7-percent tax credit in cases where it is not now fully being used. The tax now aggregates something in the area of \$850 million to \$1 billion; and at the very outside, the estimate of the amount involved here is \$125 million.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. JAVITS. I yield to the Senator from Illinois.

Mr. DOUGLAS. Would this be a dollar-for-dollar deduction from the amount of the tax?

Mr. JAVITS. No; it would not. It would be solely in addition to the amount which qualifies for investment credit otherwise.

Mr. DOUGLAS. But I mean, would that addition be a dollar-for-dollar deduction?

Mr. JAVITS. It would not. The investment credit is only 7 percent of qualified investments, and therefore, this particular training expense would fall into the same category, and be subject to the same limitations as the expense for purchase of new equipment which now qualifies for the credit.

Mr. DOUGLAS. Would the 7 percent of it be a dollar-for-dollar deduction?

Mr. JAVITS. The 7 percent, I say, is a dollar-for-dollar deduction; but I understood the Senator's question to mean that it would go beyond the 7-percent figure on some kind of dollar-for-dollar basis.

Mr. DOUGLAS. Is it not true that present expenses for training classify this as an operating cost, therefore not subject to taxation?

Mr. JAVITS. No, that is not the case. Under training programs undertaken by the employer in cooperation with manpower training programs, it is not for the purpose of increasing his own productivity, or carrying on his own business, but programs which employers would undertake who have a unique capacity such as machine tool companies, automobile companies, and so forth, which would be extra to and outside of the normal operations of their businesses which produce revenue for them. This is something which they would do in order to give themselves and others a pool of new workers.

Mr. DOUGLAS. Is this training conducted outside the factory or place of business?

Mr. JAVITS. It is often conducted inside the factory, in the place of business.

Mr. DOUGLAS. Why would that not be an operating cost, therefore not subject to taxation?

Mr. JAVITS. It would not, because it is not producing revenue for the employer.

Mr. DOUGLAS. Ultimately it may. A trained work force produces revenue.

Mr. JAVITS. Ultimately it may, but in the meantime it is not allowable as a tax credit. That is the whole point of the amendment.

The estimated revenue cost I have given is the outside estimate, because it was given to the Senator from Vermont [Mr. PROUTY] in connection with the bill which he has introduced which seeks an additional 7-percent tax credit for manpower training.

Mr. President, I believe it is urgent that we understand the tremendous manpower needs of the country which are the reason for the amendment which I have submitted.

Manpower training lags far behind manpower needs. The best figures that we can get indicate that something like 1 million people are actually in training, when the Automation Commission itself has given the opinion that there are 2 million who will need retraining as a result of automation alone every year, or are in that condition now. In addition, it has material effect upon the situation of minority groups, whose workers are generally unskilled and who would be quickly affected by the contingencies which I have described.

For example, we had testimony, to which I should like to refer, before the Employment and Manpower Subcommittee of the Committee on Labor and Public Welfare, on February 24, from Adolph Holmes, Associate Director for Job Development and Employment of the National Urban League of New York, which is the leading agency for dealing with problems of employment and manpower for minority groups, particularly Negroes, stating, and I quote:

We feel that not only the small employer, but also the major employers, if given some sort of tax relief, could and would absorb some of the costs that are involved in the training. It is our concern and our opinion at the moment, based on our experience, that it is not fair to expect the governmental sector of the economy to absorb the total cost of training the Nation's manpower, and we should look to the private sector of the economy to absorb some of this cost in that the present corporate structure tax would then allow for this to be some portion of their tax relief.

Mr. President, the Employment and Manpower Subcommittee has been holding hearings this session and last on the real problem which faces us that, somehow or other, even with such programs as the Manpower Development and Training Act, we have not adequately tapped the resources of the private sector with respect to manpower training, that our need for manpower training is unusually great, and that we should, therefore, encourage it. I believe the incentive credit is the way to do this, especially as the 7-percent equipment credit has not been fully used.

It was expected at the time of its enactment in 1962 that its potential tax loss was approximately a billion and a half dollars, but the actual credits have run in the area of \$850 million to a billion dollars.

It is at least as important to have trained personnel in the country as it is to have modern and effective machinery. Moreover, this amendment

does not in any respect diminish our tax situation, because this is a 7-percent credit which could be availed of only up to the maximum limits already in the law. All that the amendment does is expand the usefulness of the credit to include action in this critically important manpower training field.

Mr. LONG of Louisiana. Mr. President, will the Senator from New York yield on my time?

Mr. JAVITS. I am happy to yield to the Senator from Louisiana.

Mr. LONG of Louisiana. The Senator's amendment, of course, is meritorious and it certainly should be considered. However, I would hope that the Senator would not insist on making us vote on it at this time, because this is the kind of thing that the Finance Committee should study. We should hold a hearing on it and let the Senator explain what he has told us on the floor of the Senate today, and also obtain the views of the Department of Labor. Although the Treasury Department, naturally, becomes upset every time we discuss a proposal that would lose \$125 million in revenue, it may very well be that the committee would approve precisely what the Senator is suggesting. On the other hand, perhaps a deduction should be provided rather than a tax credit.

I would hope, therefore, that the Senator would not insist on a vote on his amendment at this time. If he does not insist, I will schedule a hearing and invite the Senator to come and testify and give his views, and also get the views of the Department of Labor, as well as the views of the Department of the Treasury.

If we take the amendment to the House in conference at this time, they would in good conscience say to us, "You did not make a thorough study of this. You just accepted it on the floor."

We did not have an opportunity to study the amendment in committee. It seems to me that it would be better if the Senator would allow the committee to study it.

Mr. JAVITS. Let me make a counter-proposition to the Senator from Louisiana, because we both know how these bodies work. This is a desirable tax proposal. We know this from the enormous response which we have received from the business community.

I believe that the Senator is somewhat sympathetic to the belief that it would encourage very considerably additional manpower training.

We could handle this in one of two ways. We can proceed, as the Senator suggests, to a hearing—and the Senator would give me some assurance, I am sure, as to a reasonable hearing because sometimes these things become long deferred—and cooperation in seeing that the necessary facts are produced. The fact is that this matter has been around for months and has not even got departmental reports. Therefore, perhaps the better course would be for the Senator to take it to conference. I will understand perfectly if, as a result of the conference, the Senator would drop it, because we cannot get agreement with the House. At least, it will force the

Treasury Department and Labor Department, and others, to lay the facts on the line quickly. If it is dropped in conference, then I am sure the Senator will honor his indication to me that we will get a rather early hearing and be able to get to it; on the other hand, if it should be accepted in conference, and the departments really find there is merit to it, or may very well change it, we can work this out to their satisfaction, and to the Senator's satisfaction as well. At least it will be in being, and we will get action, in view of the fact that the amendment does not involve diminution of the existing tax or increase the existing tax. I make that alternative suggestion.

Mr. LONG of Louisiana. Mr. President, the staff informs me that the Treasury is opposed to the amendment as of now. I would imagine that part of the Treasury's opposition is based on the revenue situation which it would face. We have a deficit. Of course, the fact the Treasury says it is opposed because it does not want to lose any money is not conclusive. We are here to legislate. But we should consider the Department's views. We should study the problem and see exactly what their position is on the matter.

I can assure the Senator that we will give him a hearing within a month, and I will see that he is down before the committee, and that the Department of Labor reports on the measure. The Department of Labor might say that they would prefer to act in a different way, perhaps, or that they would prefer to appropriate the money directly. But I will assure the Senator that we will consider the matter. Let me say that if he will withhold it now, we will be in a lot better position to act on it at a later date. It might very well be that we can support the Senator and give him substantial support.

Mr. JAVITS. Mr. President, I am prepared to accept the Senator's assurance.

Mr. ANDERSON. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I am very happy to yield to my beloved friend, the Senator from New Mexico [Mr. ANDERSON].

Mr. ANDERSON. Mr. President, I am inclined to go along with the suggestions made by the Senator in charge of the bill, the Senator from Louisiana [Mr. LONG]. The question now is whether it is not a chargeable expense. These are people who believe it now can be charged off. We should find out, at least, what the rules are before we pass upon it. I do not know them. I do not believe that representatives of the Treasury or other departments know them. I would hope the Senator would be willing to put it aside until they could take a good look at it.

Mr. JAVITS. May I say to the Senator that it is deductible as a business expense, but it is not creditable under the 7-percent incentive provision, which it would be under this proposal.

Therefore, Mr. President, on the assurance of my friend, whose sincerity I do not question, and whom I know to be

on my side on this, I withdraw my amendment.

Mr. LONG of Louisiana. I thank the Senator.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. TOWER. Mr. President, I call up my amendment No. 501.

The PRESIDING OFFICER. The amendment offered by the Senator from Texas will be stated.

The legislative clerk proceeded to state the amendment.

Mr. TOWER. Mr. President, I ask

" 915.25 Articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone (within the meaning of section 112(c) of the Internal Revenue Code of 1954) to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe if such articles were purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the Secretary of Defense.....

Free (see
headnote
2 of this
subpart)

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On or before
12/31/67

(b) Headnote 2 for subpart B of part 1 of such appendix is amended by striking out "item 915.20" and inserting in lieu thereof "items 915.20 and 915.25".

(c) The amendments made by this section shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the date of the enactment of this Act.

The PRESIDING OFFICER. How much time does the Senator from Texas yield to himself?

Mr. TOWER. I yield myself 3 minutes.

Mr. President, during the Second World War, Congress enacted a law which granted servicemen the privilege of sending gifts of values up to \$50 into the country from abroad without having to pay customs duties. This law, Public Law 790 of the 77th Congress, was extended several times in the following years, during the Korean conflict, and at other times, but was finally allowed to expire as of the 1st day of July 1961.

Recognizing the value of this law and the purpose it served in a minor way in bolstering troop morale during those earlier conflicts, and realizing that we are again engaged in a conflict in which American men are offering their lives, I introduced a bill earlier this session to reinstate this tariff provision.

However, it now seems that this could be more appropriately effected by adding an amendment to the tax bill which we are presently considering.

The amendment I am offering, Mr. President, is short and very simple. It is no different in any way from the earlier tariff provision, except my amendment is limited to those serving in a combat zone. It would extend to those servicemen the privilege of sending gifts home from abroad without having to pay customs duties, provided the gifts did not exceed \$50 in value.

This does not seem an unreasonable request to make for the men who at all times are on call to defend with their lives our safety and freedom as well as their own.

This seems no more than a minor, a token privilege which our servicemen deserve. Its price would be relatively in-

significant in comparison to the psychological value it would have for members of our Armed Forces. I would say that there is probably a "multiplier effect" inherent in the granting of certain special privileges to members of our armed services. A small courtesy such as this represents much more to a serviceman than the amount of money he saves thereby. It represents the fact that his country cares for him and is properly concerned.

Therefore, I hope my distinguished friends the Senator from Louisiana [Mr. LONG], and the Senator from Delaware [Mr. WILLIAMS] will be willing to accept this amendment.

Mr. LONG of Louisiana. Mr. President, I have discussed this proposal with the distinguished Senator from Delaware [Mr. WILLIAMS]. Both of us agree that the amendment has popular appeal. It may give the Treasury some problems with its balance of payments, because it is estimated that there is about \$100 million in shipments involved. But I would be willing to take the amendment to conference and see what can be done.

On that basis, I am willing to accept the amendment.

Mr. TOWER. Mr. President, I yield myself 1 minute.

I would like to point out that this amendment is confined solely to combat zones, which essentially would be South Vietnam and other places in southeast Asia where our men are stationed. I think the continuance of the tax is not going to stop the boys from buying. They are still going to buy. But this amendment is merely a courtesy to them. It is not going to exempt relatively large amounts. It is merely a measure of our appreciation for our boys who are stationed there and fighting.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. TOWER. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I join the Senator from Louisiana in endorsing the amendment. As I understand it, the \$100 million that the Treasury suggested

was an old estimate applicable to all tourists. This provision would be applicable only to the boys in combat zones. So it entails a relatively small amount, even if they all took advantage of the \$50, which they will not do. So the balance of payments amount involved would be insignificant.

In addition, this is only a small token of appreciation in recognition of the sacrifices the boys are making. I would certainly be glad to take it to conference, and hope we can come back from conference with the provision.

Mr. TOWER. I thank the Senator.

I would like to reemphasize that the absence of this amendment is not going to deter the buying on the part of our boys over there. It is only natural that they will want to buy exotic gifts there to send to the folks back home. So they are going to buy them whether this amendment is adopted or not. The adoption of the amendment I do not think will greatly increase buying on the part of the boys. It is just a courtesy that we could extend to them which I think would be of some help to their morale.

Mr. CARLSON. Mr. President, will the Senator from Texas yield?

Mr. TOWER. I yield to the Senator from Kansas.

Mr. CARLSON. Mr. President, I rise to support the amendment of the Senator from Texas. I appreciate the statement made by the chairman of the committee in stating that he and the ranking minority member of the committee are willing to take the amendment to conference. I think we should understand that previous similar measures have been offered. At least, I offered Senate 2767 that would apply to gifts sent overseas.

Let me relate what happened to a wife living in Junction City, Kans., whose husband is serving in Vietnam. She had to pay \$8 in customs duties on two sweaters valued at \$19, sent from Vietnam.

That is what is happening to gifts going overseas. We certainly do not want to see that continue. We took care of this situation in World War II.

I hope that not only will the amendment be taken to conference, but that it will come back approved. I know that this will be of some help to those who are serving overseas.

I ask unanimous consent to have printed at this point in the RECORD an editorial from the Junction City Daily News of Wednesday, November 24, 1965, which explains the situation to which I have referred.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Junction City Daily Union,
Nov. 24, 1965]

SOMETHING NEEDS TO BE DONE

An unfortunate situation was brought to the attention of the Daily Union on Tuesday after the wife of a Fort Riley soldier now in Vietnam received a shipment of Christmas gifts from her husband. She was required to pay customs duties. For example, two sweaters, valued at \$19 required an additional 42 percent, or about \$8 more.

As nearly as the Union can learn, the duties are fixed by act of Congress and the post-

office workers act only as agents for the Treasury Department in collecting duties on shipments having a wholesale value of more than \$10 if more than one shipment is made each day. Even purchases made at the post exchanges are subject to a duty if the article was made in a foreign country.

It seems unjust to order military personnel overseas and then require them to pay a duty on Christmas gifts when they can make the purchases only in a foreign land, even providing they have a chance to enter a store or shop.

Such instances may become numerous in the next 30 days because many of the gifts purchased abroad now are on the high seas, enroute to relatives and friends here in the States.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

Mr. TOWER. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment of the Senator from Texas has been yielded back.

The question is on agreeing to the amendment.

The amendment (No. 501) offered by the Senator from Texas [Mr. Tower] was agreed to.

Mr. TOWER. Mr. President, I thank the distinguished Senator from Louisiana.

Mr. GORE. Mr. President, the pending bill in its present form provides no additional net revenue whatsoever for the Government. On the contrary, it represents a loss of \$22 million.

Except for the excise tax provisions, the bill provides for no additional revenues. It is not a \$6 billion bill. Except for the excise taxes, the bill merely changes the collections from one period to another.

The only revenues involved in the bill as presented by the committee were excise taxes in the sum of \$1,205 million.

The amendments that have been adopted and accepted, not counting the last one, either increase expenditures or reduce revenues by \$1,227 million.

So we are financing the war very rapidly in the wrong direction and in the wrong manner.

An administration that would present such a picayune bill and then oppose all constructive amendments, and a Finance Committee that would permit itself to be a paw for the Treasury could not really expect anything but an irresponsible performance. That, Mr. President, is what we have.

Every economist worthy of the name is pointing to the inflationary pressures, the tightness in plant and equipment, skilled labor, and recommending a suspension or repeal of investment credit, or suggesting other measures to save this economy from the rigors of an inflation, to save it from a further spiral in the cost of living, to save it from a greatly increased war cost.

And what do we do? We come forward with a picayune bill, levying excise taxes on the people who, to make a living, must buy automobiles and on telephone service which everyone must use.

What do we do with corporations? Nothing. Not one additional penny of taxes is levied by this bill on the corporations that have had a 65 percent increase in profits after taxes since 1961.

What do we do with income from interest, with the Federal Reserve tightening money and increasing interest rates all the time? Nothing, even though income from interest has increased 59 percent since 1961.

We greatly reduce the taxes of the people who are earning unprecedented profits from the manufacture of automobiles. But when we need additional revenue we do not levy it upon those making unprecedented profits. We levy it on the people who must buy automobiles and use telephones, necessities for most people. And this a Democratic administration and a Democratic Congress.

We are financing the war with this bill by going \$22 million deeper into debt. What a tumultuous wave of cheer we deserve.

The PRESIDING OFFICER. (Mr. TYDINGS in the chair). The bill is open to further amendment.

Mr. DOUGLAS. Mr. President, I send to the desk an amendment. I would like to discuss it and then, at the conclusion of my remarks, to vote on it.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to state the amendment.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and without objection, the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

At the end of the bill add the following new section:

"SEC. —. LIMITATION ON AMOUNT OF QUALIFIED INVESTMENT FOR PURPOSES OF THE INVESTMENT CREDIT.

"(a) LIMITATION.—Section 46(c) (relating to qualified investment) is amended by adding at the end thereof the following new paragraph:

"(5) LIMITATION.—Notwithstanding any other provision of this subpart, the qualified investment of a taxpayer for any taxable year shall not exceed an amount equal to 50 percent of the taxpayer's taxable income for such year."

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending on or after March 15, 1966, but only with respect to property placed in service on or after such date."

The PRESIDING OFFICER. How much time does the Senator from Illinois request?

Mr. DOUGLAS. I will try to take not more than 10 or 15 minutes but I do not think I am on limited time. Mr. President, am I correct in that understanding?

The PRESIDING OFFICER. There is no limitation of time. The Senator is correct.

Mr. DOUGLAS. I will try not to strain the patience of the Senate.

ORIGINAL PROPOSAL HELPFUL

Mr. President, the original bill presented by the administration, with good fortune, could have met the immediate contemplated increases in expenditures for the war in South Vietnam. As the Senator from Tennessee [Mr. Gore] has

said, it would have raised \$1,200 million in taxes from telephones and automobiles and the additional increase would have come from speeding up payment of corporation and individual income taxes which would have been a one-shot affair and would have netted around \$4 billion.

With this item and with the transfer of financing certain governmental expenditures by private capital rather than by public borrowing of another \$4 billion, the increase in expenditures would have been approximately met if everything went right, and if the added expenditures ceased at the end of fiscal year 1967.

But if the war in Vietnam were to continue beyond July 1, 1967, obviously these one-shot expenditures would have been used up. The assets that could have been unloaded on private financing would have been largely exhausted and we would then be faced with the problem of raising additional amounts of revenue for which even the original bill would have been insufficient.

I was one who felt that, while I would not reprove the administration in the same way that my good friend from Tennessee has done, we should have tried for a greater margin of safety, and that also in doing so we should try to levy those taxes which would reduce the danger of inflation by the greatest degree and which would have conformed to principles of justice in taxation.

SENATOR GORE CORRECT

I was very happy, therefore, to be one of the 10 Senators who voted for the amendment of the Senator from Tennessee. If there had been more of us—and there were only 10—I would have offered another amendment to have eliminated the bonus on the so-called investment credit and, therefore, doubled the permanent tax income contemplated by the bill.

But after the Senator from Tennessee [Mr. GORE], got only 10 votes on the amendment I thought that this would be an exercise in futility.

I think in the future the Senator from Tennessee will be proved to have been correct and the overwhelming majority who voted against him will be proved to have been wrong.

BILL NOW NEUTRAL IN REVENUE EFFECTS

But now, Mr. President, as Grover Cleveland said, it is a condition and not a theory which confronts us.

There is no question but that the bill in its present form does not add any new permanent revenues to the Federal Treasury. The arithmetic of the Senator from Tennessee is correct.

The increase in social security expenditures will be approximately \$790 million a year. The Hartke amendment will cost, in revenues, \$437 million. So that we do get a total of increased expenditures and loss of revenues of \$1,227 million, or about equal to or a little more than the gains from the tax on long-distance telephone calls and automobiles.

The bill, so far as its permanent effect is concerned, is now neutral on revenue, and I do not believe that it should be neutral on revenue.

SOURCES OF PRESSURES

I think that we should get more revenue to meet the cost of the war and also to reduce the danger of inflation. There have been exaggerated statements about the amount of inflation in the past. I do not subscribe to the theory that we are now being devoured by the increase in the price level. We have had, on the whole, the most steady price level of any industrial nation. I do not subscribe to the theory that we have already experienced large inflation, except in certain items. Those items are, first, meat. I think it is probably true that the farmers deserved an increase in the price of hogs and cattle.

The second source of increase comes in services—primarily in the field of medical services, such as doctors' bills, hospital bills, and drug bills. This increase cannot be met with the conventional policies of monetary stringency and probably not by conventional tax policies.

CAPITAL INVESTMENT IS PROBLEM

The third group of items, where the threat of inflation is very real and where I predict it will be greater, is in the field of capital goods, particularly machinery. Pressures in this field are very great and have been stimulated by the investment credit, which this body stubbornly refuses to reduce. Last year, the increase in capital equipment—that is, the increase in 1965 over 1964—was approximately 15 percent.

There was a dispute between the President, on the one hand, and the Edie Corp., on the other, as to how much the increase in 1966 over 1965 will be. The Edie Corp. estimates that it will be an increase of 19 percent; and in manufacturing, an increase of 32 percent. The President, in his letter to Representative PATMAN, estimates that it will be only another 15½- or 16½-percent increase and not 19 percent. But this is an increase in 1966 over 1965, and 1965 already had a 15-percent increase over 1964.

So far, if we take 1964 as the base, we have a compounded or geometrical rate of increase. The increase will be at least 15 of 115 percent, in comparison with 1964, or a further increase of 18 or 19 percent, making a total overall increase of more than 30 percent over 1964.

This is where the inflationary pressures are beginning to show up, in addition to meat and in addition to services, particularly medical services. This is where the chief danger will lie. We should very frankly face up to the danger.

REDUCE STIMULUS TO INVESTMENT

I deeply regret that the Gore amendment was rejected, because it would have reduced the stimulus to capital investment and therefore would have reduced the pressures toward inflation in capital goods. We should realize that the so-called 7-percent credit is, in reality, much more than a 7-percent credit, so far as taxes are concerned. While corporate taxes are 48 percent on corporate profits about \$25,000, a 7-percent credit on the total capital investment means much more than a 7-percent reduction

in taxes. This factor is only slightly mitigated by the fact that under the existing law the total tax liability cannot be reduced by more than 25 percent of the total tax liability.

Thus, a corporation which pays the regular corporate income tax of 48 percent can reduce its effective rate by one-quarter of this amount, or to 36 percent. In order to do this, it is, of course, true that it would have to invest an amount equal to about 170 percent of its net profits in plant and equipment. But I have made some inquiry on this subject of those who have observed the situation. I am told that this is not unusual in the large concerns and that in practice, therefore, the big concerns, which have large corporate surpluses, frequently get this reduction of 12 percentage points. I wish to emphasize that it is a reduction of 12 percentage points of income tax, or from 48 percent to 36 percent.

So by the investment credit we are stimulating expenditures in the one field which is most dangerous and, at the same time, most amenable to governmental control. If we do not deal with this subject by taxation, we shall have a movement for credit control and still higher interest rates, which will fall upon small business primarily, because big business already has its corporate surpluses and does not have to go to the open market to borrow; it can invest from its corporate surpluses, which are huge, and thus the rise in interest rate will not restrain them. A rise in the interest rate will restrain firms that have to go to the money market for borrowing, and they tend to be the smaller firms.

Unless we face up to the question both of financing the added costs of the war in Vietnam and devising a tax system which will go to the specific source of such inflation as is likely to occur, we shall really fail in our obligations, which, in our hearts, I believe, we all want to carry out.

AMENDMENT LIMITS INVESTMENT CREDIT

I have a simple proposal, which on its face may seem complicated, but is not. The amendment which I am suggesting proposes that we limit the amount of investment income against which the credit can apply, to 50 percent of taxable income. To illustrate how that would work, under this proposal a corporation which earns taxable profits of \$1 million could receive a full credit of 7 percent on investments up to \$500,000—nothing beyond \$500,000. This would mean that the corporation would pay \$480,000 minus \$35,000; that is, the original 48 percent, which would be \$480,000 minus 7 percent of the \$500,000 investment. So the corporation would pay \$445,000 in taxes. In other words, the corporation could reduce its effective rate from 48 percent to 44½ percent, but not below 44½ percent. This proposal would leave intact the investment credit as a structural part of our tax system. Personally, I do not believe it should be a part of the system, but evidently the vast majority of this body believe at the moment, that it should be, although I hope and believe

that with the passage of time they will change their point of view.

REDUCES AMOUNT OF CREDIT

However, instead of limiting its effect, or providing that its effect will amount to a 12-percentage point cut in the effective rate, as is done in the present law, the maximum reduction would be limited to 3½ percentage points. The revenue effects would not, in the terms under which we operate, be very great. It would perhaps add a couple of hundred million dollars in revenue. But it would be a bullet-like attack upon that sector of the economy where the inflation is likely to come from—and, indeed, is already coming from.

I realize that the Treasury will want to study this proposal. However, I ask the chairman—who is in his usual friendly mood this afternoon and radiating good will—to accept this amendment, take it to conference, and then discuss it in conference. I think this gives to the Treasury Department a convenient out so that they can retreat from the position into which, I am sorry to say, they have forced themselves.

The amendment does not go quite as far as the Senator from Tennessee and I would like to go. But it is a very modest step.

I beg my dear friend, the Senator from Louisiana, not to close the gates of mercy upon mankind, but to give us at least a chance to check inflation somewhat and to raise at least a little toward the expenditures of the war.

I am pained at the thought that we now have a bill which raises no revenue permanently for the support of the war in Vietnam.

It will compel the Government to borrow money to finance the war. Some of this will be created by the banks who finance the purchase of bonds, and therefore it will tend to be inflationary, rather than the reverse.

Let us at least diminish this danger in the one area in which we can operate. I beg my dear friend not to be hard-hearted, but to give the economy a break.

Mr. LONG of Louisiana. Mr. President, some time ago we considered this general problem, and the majority of the committee saw it the other way around. We voted for an amendment that would have liberalized the investment credit, rather than tightened it. The present amendment would be very unfair and inequitable in a number of cases which come to my mind. For example, what would happen in a case of hurricane damage, such as Louisiana suffered last year from Hurricane Betsy. If a man's plant is wiped out, he will go to work to rebuild it. He has no income. Under this amendment he would lose some of the tax credit for rebuilding his plant. That tax credit could otherwise have been carried forward under the existing law. However, there is no carry-forward provided in the proposal of the Senator.

The railroad people came to us, as the Senator from Kansas recalls, because he mentioned the matter, when we were studying it. The railroads have low incomes and are trying to modernize the equipment that they have. They feel

that their only solution and salvation is to become more efficient and provide better service.

Because of low incomes, many of the railroads are now unable to get the benefit of their investment credit because they do not have sufficient income to pay a large enough tax to claim their full credit under the 25-percent limitation.

Under the terms of the investment credit, an amount equal to 7 percent of qualified investment, not to exceed 25 percent of the tax, that is, can be claimed. If one has no income tax under the existing law, he can carry the credits earned forward to a subsequent year when he might have enough income to pay a tax, and therefore get the benefit of his investment credit.

The carryover provision is not contained in the amendment of the Senator. The Senator puts on an additional limitation that would mean the loss of such provision. It is not quite fair to put additional limitations on people who have heavy investment expenses relative to their income. Upon that basis, many people could be injured by this measure.

Some transportation and airline companies have undertaken, in order to avoid losing their investment credit, to persuade the banks to make special arrangements. The banks buy an airplane or a lot of boxcars, and, because it has a lot of income, is then able to get the benefit of the investment credit. Twenty-five percent of the bank's income is a lot more money than 25 percent of the income of a railroad or an airline. The bank, having purchased the equipment, is able to take advantage of the investment credit, and the bank can then make a deal with the company to find some way to pass some of the tax credit along to the company.

As a practical matter, and with considerable logic, companies have urged the committee—and the majority of the committee agreed—to ease up on the 25 percent limitation.

Mr. President, it has been said that this bill goes too far toward taxing the people with modest income and not far enough toward taxing those who are well to do. I point out that after the agreement to the Hartke amendment, we have in this bill now, on excise taxes, only about \$450 million, mostly on long-distance telephone calls, and about \$400 million in taxes on new automobiles.

We raised \$3,200 million in this bill by a speedup in the corporate tax collections. Someone can say that all we are doing is changing the date of tax payments. However, if we pass a law that provides that I must pay this year's tax 6 months sooner, and that next year I must pay next year's tax 6 months sooner, and the following year I must pay that tax 6 months sooner, in the year that law is put into effect, my tax has been increased by 50 percent.

Mr. DOUGLAS. But is this not a one-shot affair?

Mr. LONG of Louisiana. It is just for 1 year. I quite agree.

If we have a big deficit next year, we will undoubtedly be asked to pass another tax bill to offset the deficit. I hope that will not be the case. However, if I might, I shall quote one of the favorite

quotations of the distinguished senior Senator from Illinois, from that beautiful old hymn "Lead, Kindly Light."

Mr. DOUGLAS. "I do not ask to see the distant scene; one step enough for me."

However, I wanted a good step.

Mr. LONG of Louisiana. This would give us \$3.2 billion in additional revenue from corporations in this coming year.

Mr. DOUGLAS. It would be for 1 year only.

Mr. LONG of Louisiana. That gets us 1 year further toward our destination. Next year we can take another look and see where we stand. However, for now we will increase the revenue that we have coming in.

If we look at what is contained in the bill and the amount of money that we pick up in fiscal year 1967, about 80 percent of this increased revenue is revenue that we are levying on corporations. We are hitting them pretty hard when we speed up tax collections to collect more money in a single year.

Mr. DOUGLAS. But it does not increase their liability. It merely means that they pay the amounts earlier.

Mr. LONG of Louisiana. Any time we change a law to make me pay my taxes 6 months sooner, unless I am given a windfall elsewhere, I have been deprived of that much money. The corporations of America will have been relieved of \$3,200 million in this case and the Government will be ahead by \$3,200 million. They have paid the \$3,200 million and they will be behind by the \$3,200 million.

It would be just as though we had a bushful of cash here. If I were to separate the Senator from Illinois from that bushful of cash, I would be ahead by that much money.

Mr. DOUGLAS. It is eating into the future.

Mr. LONG of Louisiana. Who gets the money? If no one never gets it back, we are ahead by that much money, and the other fellow is behind by that much money, unless someone gives it back to him somewhere down the path.

I admit that it is a one-time windfall. However, that does not change the situation. It is money just the same. The one real big collection here is on this speedup of the corporate tax payments.

Mr. DOUGLAS. The Senator is correct.

Mr. LONG of Louisiana. So when one really gets to it, in this bill we are getting the money ahead of time.

Mr. DOUGLAS. The Senator is correct.

Mr. LONG of Louisiana. That is for fiscal 1967. Most of the money comes out of the corporations; the way the bill now stands, about 80 percent of it.

So I say we have not let those who are well able to pay taxes go home scot free; they are paying a lot of taxes, and if we are going to change this investment credit around, I would certainly hope the Senator would develop his ideas with the committee, because we did not have the chance to study it and vote on it. It may very well be that we need to tighten up on some aspects of it, and perhaps loosen up on some of the tight ends; but this is the kind of thing upon

which I think the Senate really should have the benefit of a committee study and a committee report before it is asked to vote.

Mr. DOUGLAS. May I say, if my dear friend the Senator from Louisiana would only accept this amendment, it would go to conference, and the Treasury would have time to study it and express its opinion.

I personally think that in the case of disaster, a special allowance should be made, except that I do not believe that this should be used as an excuse to demolish the principle I have been trying to advocate. It is a legal adage, I believe, that good cases make bad law. The Senator from Louisiana can cry about the storms and hurricanes coming from the north which sweep down upon the lower Mississippi Valley, and of the tides which come in. He can weep over that, and I will weep with him. In fact, I have many handkerchiefs here with which to weep, if that is necessary.

But this can be changed in conference to provide for that exception. Please do not postpone, until a conjectural new bill comes in, the attempt to raise more revenue and to direct any tax increases which occur toward the points where inflation threatens.

I do not make a case for the removal or reduction of the investment credit on the ground of justice. I could make one, but I did not. The Senator from Tennessee did that, and I voted with him. But I now make the case for a reduction on the ground of inflation, or the danger of inflation, because it is here that we are likely to see, unless we take action, an increase in the price of metals and the price of machinery; and that would be felt throughout the economy.

I am proposing a rifleshot approach to the points of greatest danger, and those points that we could really affect, instead of blanket proposals.

As Warren Hastings remarked:

I am astonished at my own moderation.

Mr. LONG of Louisiana. Mr. President, I do not think the Senator would wish to do all that his amendment suggests.

For example, he concedes that people who suffer disasters should be exempt from his proposal; and to be fair about it, the matter would discriminate between investors.

Let us say, to begin with, that a company loses its carry-forward. That would be very unfair to a company, to lose the carry-forward of investment credit, if they do not have enough income to pay a tax in a given year.

In addition to that, as between a company that does its financing by a stock issue and a company that borrows money, it would discriminate in favor of the company that finances by a stock issue and against the company that borrows money; and it would lead also to this gimmick I was talking about, getting the bank to buy the plant or the equipment, and lend it to you, so that the bank could get the investment credit eventually, if you could not.

So there are all sorts of inequities, all sorts of ways people might maneuver to get around it.

If you are going to reduce or restrict the investment credit, we should give much more study and consideration to the Senator's amendment than we have been able to give it. The things I have mentioned are just some inequities that appear on the surface. I did not hear about the Senator's amendment more than 15 minutes ago.

Mr. DOUGLAS. Do not the inequities—which is a polite word for injustices—exist in the law now? I do not see that this amendment increases them in the slightest.

Mr. LONG of Louisiana. I submit that it would.

Mr. DOUGLAS. If the Senator from Louisiana wishes to address his reforming zeal toward removing injustices in the law, I shall be very glad to join him. But that should not be used as an argument against the attempt to reduce inflationary pressure and produce a little more revenue.

Mr. LONG of Louisiana. Mr. President, I am convinced of the integrity of the Senator from Illinois, and I know he is sincere in his views in presenting his amendment. But speaking as one member of the Finance Committee, if I offered to take the amendment, I know I would be recommending contrary to a majority of my committee, because they have voted on measures relevant to this issue, and their view has been that we have restricted investment credit too strictly, particularly insofar as railroads trying to modernize are concerned. The Senator from Florida [Mr. SMATHERS], for example, was formerly chairman of the subcommittee that dealt with surface transportation. He is well aware of the problems of the railroads, and that those that are not making much money find it very difficult to get the benefit of their investment credit, the way it is now, because of the existing limitation of 25 percent of the tax they pay.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. SMATHERS. I thank the Senator for mentioning me and my alleged knowledge with respect to railroads.

However, I am not worrying about the railroads as respects the amendment of the Senator from Illinois. It seems to me what would be confusing to the entire business community is that if we should adopt his amendment and his approach, we will be changing the concept of investment credit as it has heretofore existed. Because, as I understand it, the Senator's amendment says that you cannot get the benefit of the investment credit; it is tied to income.

There are many little businesses, of which the Senator from Illinois and all of us know, that go out and borrow money and pay interest on the money which they borrow, and they do not finance their building by, we will say, equity financing or selling stock; but they have an interest problem, and when they pay it, they have no income. Therefore, having no income, they are declared ineligible for the use of any investment credit.

So what we would do is complicate what is already a bad situation. The

Senator's amendment would remove from businesses which are already being hurt, and which are most in need, the possibility of enjoying an investment credit.

That is what worries me about the proposal of the Senator from Illinois.

Another illustration would be casualty losses. Suppose we had a storm such as we had up in New England a couple of years ago, which blew down many business buildings, knocked down signs, and one thing and another, and they had to build new buildings. The casualty loss would have to be used against the income, so that there would be no income, and that business then could not have the advantage of an investment credit.

So it would seem to me that while I, as the Senator from Louisiana, have the highest regard and respect for the purposes and the sincerity of the distinguished Senator from Illinois, I should be inclined to think that this particular proposal would hurt the people he would not wish to hurt, would not reach the people he is trying to reach, and actually would confuse the investment credit issue even more than it is now confused.

Mr. DOUGLAS. I say to my good friend, the Senator from Florida, that if he is worried about the small businessman who invests up to \$25,000—and I am worried about him, too—I shall be very glad to modify the amendment so that the first \$25,000 will not have any relevance to the amount that can be re-invested; the first \$25,000 will continue as now, and the amendment will merely apply to sums in excess of \$25,000, and, in effect, there will be a reduction of 3½ percentage points instead of 7 percentage points.

I do not wish to take an excessive amount of time on this subject. I am, however, deeply pained that my good friend, the Senator from Louisiana, is so obdurate and hard of heart; but he sits in the seat of the mighty and I will not ask for a yea-and-nay vote, but would like to have a voice vote, and at least let the RECORD show that the issue was raised and that this honorable body passed upon it.

Mr. McCARTHY. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. McCARTHY. I should like to add that I believe this is the most deserving amendment which has been offered on the floor of the Senate since the tax bill has been under consideration.

Mr. DOUGLAS. I thank the Senator from Minnesota. I hope it is preparatory to support.

Mr. McCARTHY. I come very close to supporting it. My only reservation is concerning the Senator's suggestion as to the burden of settlement upon the conference committee.

Mr. DOUGLAS. That is correct.

Mr. McCARTHY. I have the strong feeling that we should not permit the conferees to do too much for the committee. By virtue of protecting my position on the committee, which is way down the line, I would probably be moving to suggest that the committee study

this matter, rather than put the burden on the conferees.

Mr. DOUGLAS. I believe that they can do both generally. I notice that we study matters only when they are possible action matters. I believe that this should contribute to the attitudes of the conference committee and the Treasury Department. I cannot quite make out what my good friend from Minnesota is going to do, but I am ready to abide by the vote.

Mr. GORE. Mr. President, I hope that the Senate will carefully review the remarks which the distinguished chairman of the committee has just made. He has exposed a shocking manner of machinations by which investment credit is realized, not by the industry making the investment, but by the financiers.

The colloquy that has just preceded constitutes a very good argument why investment tax credit should be repealed outright.

I rise only to invite the attention of the Senate to this point, and to suggest to the able chairman of the Finance Committee of the Senate that the Constitution places upon the legislative branch of the Government a peculiar responsibility for revenue measures. It does not provide that the Finance Committee of the Senate must sit on its hands and be spineless and motionless until some Secretary of the Treasury sends up a recommendation.

The responsibility is clearly upon the legislative branch of the Government to initiate revenue measures and the only priority which the House has is that of origin. It is incumbent upon the legislative branch of the Government to raise the revenue to support the Government, to provide for the common defense. The constitution does not require the Congress to wait until the President or the Secretary of the Treasury tells it precisely what to do, when to act, how to act or not act, after all the wheeling and dealing that goes on prior to such a recommendation.

I implore the chairman, who is a new chairman of the committee, to provide the leadership to make of it a powerful and effective committee, not merely a compliant paw for an administration.

Mr. LONG of Louisiana. Mr. President, I should like to speak for a moment to the Senator's remarks, for he has suggested for the second time that he does not have the high regard for my committee that I have. The Finance Committee included a number of amendments in the bill, and I believe that they did a very fine job in adding a number of amendments which we thought to be meritorious.

The Constitution declares that revenue bills shall originate in the House. The Senate does not have the power to originate such bills. The Senate really does not have the right or the duty to initiate legislation of a revenue nature. It must start in the House of Representatives. I suppose that we on our committee are to be regarded as a bunch of lackeys because we reported most of what the administration recommended, as well as adding other amendments, I suppose that puts the House in a bad light.

The House brought back to the floor and voted through almost precisely what the package was when it was recommended by the Treasury, but we do have to work together. I suppose that if we have been lacking in this matter, in a bill passed by the House which was reported by the Committee on Ways and Means, at least we did do our best to try to be responsible as a committee. We resisted the temptation to put a lot of additional taxes on which we did not feel were justified, and we did not try to make an appropriation bill out of a tax bill.

As a committee, I believe that it has tried to be responsible. It has considered all amendments which were offered on their merits. While it is true that we did not agree with some of the amendments offered by some Senators, we certainly did respect their good faith, their good intentions and their desires to serve their country as patriotically and as ably as their consciences dictated.

I am sure that they all do that, and I wish the Senator to know that if he does not have as much regard for some of us who did not vote the way he did, that we do not reciprocate, that we have a high regard for him.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Illinois.

The amendment was rejected.

Mr. LONG of Louisiana. Mr. President, I send to the desk an amendment which is technical in nature.

Let me explain the amendment. It merely gives us some flexibility on the effective date of the bill. The reason it is necessary is that with so many controversial amendments voted on in the Senate and added to the bill, we may be in conference longer than we originally anticipated. If that turns out to be the case, then we would have to change the effective date to the first of the following month, rather than the middle of this month—so that we can make the date April 1, in the event we have to go to that date, as it will give us some flexibility in conference.

Mr. CARLSON. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. CARLSON. This amendment was discussed with the minority and we agreed with the chairman on it; is that not correct?

Mr. LONG of Louisiana. The Senator is correct.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. MILLER. Is this date primarily calculated in order to enable business firms to adjust their computers or business machines to carry out the complicated withholding provisions for their employees?

Mr. LONG of Louisiana. Not the withholding, but the telephone tax. They can handle that part of it better.

Mr. MILLER. In that connection, would this amendment give some leeway in conference to adjust the dates with respect to withholding for the same purpose?

Mr. LONG of Louisiana. No. That is a May 1 effective date, so that we are not worried about the effective date. That

would not give us any difficulty. What we are concerned about is the telephone tax, which may give us some difficulty and, therefore, we felt that we would need some flexibility to work out the effective date insofar as the telephone tax is concerned.

Mr. MILLER. On that point, let me ask the Senator whether the committee is satisfied that the May 1 date will give ample opportunity to business firms to make the transition and change their business machines in order to comply.

Mr. LONG of Louisiana. Yes, we think so. The Treasury is working on that. My understanding is that they believe it will work out all right.

Mr. MILLER. I appreciate that assurance, because I must say some of us have received correspondence indicating there would be difficulty in making these changes in the time envisioned by the committee's bill.

Mr. LONG of Louisiana. There will be some problems in changing over, of course, but no matter what date would be picked, there would still be serious problems in this field.

Mr. MILLER. If there are these serious problems, is there any thinking on the part of the Treasury Department, for example, to take those problems into account so that people who are unable to do something physically in time, such as being unable to acquire machines, will not be penalized?

Mr. LONG of Louisiana. In view of the fact that we have included a tax table, we think they will be able to do it. We think the May 1 date will work out.

Mr. MILLER. In the Treasury Department's appearance before the committee, I am sure this problem was discussed, but did the Treasury Department's evidence show that it had a policy that if there were some literally impossible situations, taxpayers were not going to be penalized as a result of this provision?

Mr. LONG of Louisiana. The Treasury is going to work it out the best way it can. It believes it has the answers to this problem. But, in complete frankness, I must say to the Senator that when there is a changeover from one withholding system to another, there are bound to be some difficulties. We are going to expect the Treasury to walk the extra mile in an attempt to work out difficulties. We do not think it is going to impose any unusual hardship. There will be inconvenience. But it will be a better system after the changeover is made.

Mr. MILLER. I am not questioning the efficacy of the system, but I have received a letter, for example, from a businessman in my State who, in order to change over to the new system, is going to have to get a new machine, and the delivery of the new machine will be delayed until after this 1st of May deadline. I would hope that if this fact can be shown to the Treasury Department, such a taxpayer, as a result of this provision, will not be penalized.

Mr. LONG of Louisiana. We will direct that problem to the Treasury's attention, and if we have to provide some additional means to take care of the problem, we will certainly do that. I do

not think we are going to have difficulties on this matter.

Incidentally, this amendment was not my brainchild. It is the thought of the Senator from Delaware [Mr. WILLIAMS]. After studying it, I became convinced that he was correct about it. So I offer it as the thinking of more than one person. We did talk it over. The Senator from Delaware pointed out that there could very well be problems.

Mr. MILLER. The only reason for my raising the point at this time is to make sure that the committee has flexibility in case this becomes a problem.

With the assurance of the Senator that, if there are impossible hardships which the Treasury Department cannot cope with, we will take remedial action, I will go along.

The PRESIDING OFFICER. The amendments offered by the Senator from Louisiana will be stated.

The LEGISLATIVE CLERK. On page 52, line 24, beginning with "the first day" strike out all through "enacted" on page 53, line 1, and insert "April 1, 1966".

On page 53, lines 2, 3, 4, 7, and 8, strike out "such first day" and insert "such date".

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Louisiana.

The amendments were agreed to.

Mr. LONG of Louisiana. Mr. President, I send to the desk a number of technical amendments. These are merely technical amendments.

The PRESIDING OFFICER. The amendments of the Senator from Louisiana will be stated.

The LEGISLATIVE CLERK. On page 3, in the matter following line 5, before "\$8 but not over \$27" insert "Over".

On page 7, in the matter following line 3, after "withheld shall be" insert "the following amount multiplied by the number of days in such period".

On page 8, in the matter following line 1, after "withheld shall be" insert "the following amount multiplied by the number of days in such period".

Mr. LONG of Louisiana. Mr. President, these amendments are merely to correct clerical errors. I move that they be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Louisiana.

The amendments were agreed to.

Mr. SIMPSON. Mr. President, I am sorry that the economic conditions of our country have compelled the President to ask for the passage of the Tax Adjustment Act. Unfortunately, however, our country is at the crossroads of an economic crisis.

There are many reasons for the inflation and other economic factors that are threatening our economy. More needs to be done than merely adjusting the tax laws, if we are to protect our economy from the inflationary spiral that has been accentuated by the Democrat administration's policies.

We are faced with a war in Vietnam which must be won. This should be given No. 1 priority and all efforts—economically, militarily, and politically,

should be made to bring this war to a satisfactory conclusion. I regret that the President seems unwilling to set priorities and pay the price required in meeting them. Tough action is needed, not mild hopes.

The most reliable economic indicators warn of an overheated economy, which will bring about inflation. Government deficits and spending contribute to inflation and must be reduced.

Since we cannot curtail the war effort in Vietnam until victory is obtained, we must establish priorities and eliminate or curtail some of the domestic programs which are of dubious value and, for the most part, are of little value in meeting the high priority demands of our Nation.

Our problems today do not stem so much from a lack of revenue, but from a lack of control over government spending. If our Government would restrain its spending ambitions, our economy could continue its growth. But when we have increased government expenditures at home, coupled with the expenditures incident to the war in Vietnam, added to an already record private demand, there is an invitation to disaster.

We must avoid this disaster.

Who suffers when the administration does not control its spending which brings on inflation? Unfortunately, those suffer most who can least afford to suffer. In the name of wage earners, the social security beneficiaries, and those Americans on fixed incomes who suffer most in times of inflation, I urge the administration to set priorities and spend only that money which is needed to carry on our essential programs.

Because of the threats of inflation and the administration's failure to set priorities, we are being asked to adjust the tax laws with regard to collection of income taxes payable to the Federal Government. While I am unalterably opposed to the fiscal policies which have brought about this crisis, I feel that this legislation is needed as a tool to fight inflation and to help us pay for the war in Vietnam.

I think we must face up to the crisis that does exist, and have the courage to enact whatever legislation is needed—no matter how unpopular it may be.

The American people should be warned, however, that even this action will not give us the needed protection if the President and his advisers do not establish priorities and curtail their non-essential spending.

Mr. TOWER. Mr. President, as a nation, we are faced with a very serious and costly military action in Vietnam. No one is counting on our actions there being of short duration, and our commitment will not be fulfilled without a substantial cost. Certainly funds for support of this action should receive top priority above any other project.

What I object to, Mr. President, is that apparently we are not viewing this commitment in a scale of priorities. We must learn that spending for lesser projects must be curtailed, at least for the duration of our action in Vietnam.

All I request, and I think it is a reasonable request, is that we should acquire more of a sense of responsibility and

priority in considering domestic programs, and that we take into account our primary obligation of defense. I believe it is reasonable to ask that the Government reestablish its sense of responsibility toward the taxpayers.

I intend to support this request for additional funds for our military operations, Mr. President. I do this out of a sense of duty toward our men in southeast Asia.

At the same time, I find it regrettable that no better way could be found to raise revenue for our Vietnam operations than by raising the excise tax rate. There are certain priorities involved and I believe that ample opportunities exist for saving in the proposed domestic budget.

I intend to support this tax increase, but I hope that the passage of this bill will not be interpreted as a signal to increase spending. I trust that we can still effect significant savings in the domestic portions of the 1967 fiscal year budget.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. GORE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on passage. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Idaho [Mr. CHURCH], the Senator from Arizona [Mr. HAYDEN], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Utah [Mr. MOSS], and the Senator from Maine [Mr. MUSKIE] are absent on official business.

I also announce that the Senator from New Hampshire [Mr. MCINTYRE] is absent because of illness.

I further announce that the Senator from Connecticut [Mr. DODD] and the Senator from Ohio [Mr. LAUSCHE] are necessarily absent.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Arizona [Mr. HAYDEN], the Senator from Ohio [Mr. LAUSCHE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Utah [Mr. MOSS], and the Senator from Maine [Mr. MUSKIE] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The Senator from Arizona [Mr. FANNIN], the Senator from South Carolina [Mr. THURMOND], and the Senator from

Pennsylvania [Mr. SCOTT] are necessarily absent.

If present and voting, the Senator from California [Mr. KUCHEL], the Senator from Arizona [Mr. FANNIN], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from South Carolina [Mr. THURMOND] would each vote "yea."

The result was announced—yeas 79, nays 9, as follows:

[No. 52 Leg.]

YEAS—79

Aiken	Harris	Murphy
Allott	Hart	Neuberger
Anderson	Hartke	Pastore
Bartlett	Hill	Pell
Bayh	Holland	Prouty
Bennett	Hruska	Proxmire
Bible	Inouye	Randolph
Boggs	Jackson	Ribicoff
Brewster	Javits	Robertson
Burdick	Jordan, N.C.	Russell, S.C.
Byrd, Va.	Jordan, Idaho	Russell, Ga.
Byrd, W. Va.	Kennedy, Mass.	Saltonstall
Cannon	Kennedy, N.Y.	Simpson
Carlson	Long, Mo.	Smathers
Case	Long, La.	Smith
Clark	Magnuson	Sparkman
Cooper	Mansfield	Stennis
Cotton	McCarthy	Symington
Curtis	McClellan	Tower
Dirksen	McGee	Tydings
Douglas	McNamara	Williams, N.J.
Eastland	Metcalf	Williams, Del.
Ellender	Mondale	Yarborough
Ervin	Monroney	Young, N. Dak.
Fong	Montoya	Young, Ohio
Fulbright	Morton	
Gruening	Mundt	

NAYS—9

Bass	Hickenlooper	Nelson
Dominick	Miller	Pearson
Gore	Morse	Talmadge

NOT VOTING—12

Church	Kuchel	Moss
Dodd	Lausche	Muskie
Fannin	McGovern	Scott
Hayden	McIntyre	Thurmond

So the bill (H.R. 12752) was passed.

Mr. LONG of Louisiana. Mr. President, I find that the amendment offered by the Senator from Indiana [Mr. HARTKE] failed to read as the Senator explained.

Mr. HARTKE. In the technical drafting of the amendments, the amount of the tax eliminated was to revert to what it was at the first of the year—3 percent. As the drafting service prepared the bill, that provision was eliminated entirely. That was not the intention. I have explained this to the Senator from Louisiana.

Mr. LONG of Louisiana. Mr. President, that is what the Senate thought it was voting for. So I ask unanimous consent that the Senator from Indiana be permitted to modify his amendment in accordance with the explanation he has given to the Senate.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The Hartke amendments (No. 504) as modified and agreed to, are as follows:

On page 51, beginning with line 18, strike out all through line 12 on page 52 and in lieu thereof insert:

"(a) POSTPONEMENT OF CERTAIN RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

"(1) By striking out subsection (a) and inserting in lieu thereof the following:

"(a) IN GENERAL.—

"(1) Except as provided in subsection (b), there is hereby imposed on amounts paid for—

"(A) local residential telephone service, a tax equal to the percent of the amount so paid specified in paragraph (2) (A), and

"(B) local telephone service, toll telephone service, and teletypewriter exchange service, a tax equal to the percent of the amount so paid specified in paragraph (2) (B).

The taxes imposed by this section shall be paid by the person paying for the services.

"(2) (A) The rate of tax referred to in paragraph (1) (A) is as follows:

"Amounts paid pursuant to bills first rendered—

	"Percent
During 1966-----	3
During 1967-----	2
During 1968-----	1

"(B) The rate of tax referred to in paragraph (1) (B) is as follows:

"Amounts paid pursuant to bills first rendered—

	"Percent
Before April 1, 1968-----	10
After March 31, 1968, and before January 1, 1969-----	1

"(2) By inserting at the end of subsection (c) the following new sentence: 'For purposes of paragraphs (1) (B) and (2) (B) of subsection (a), in the case of communication services rendered before February 1, 1968, for which a bill has not been rendered before April 1, 1968, a bill shall be treated as having been first rendered on March 31, 1968.'

"(b) LOCAL RESIDENTIAL TELEPHONE SERVICE.—Section 4252 (relating to definitions for purposes of the tax on communication services) is amended—

"(1) by striking out the last sentence of subsection (a) and inserting in lieu thereof the following:

"The term "local telephone service" does not include any service which is toll telephone service (as defined in subsection (b)), private communication service (as defined in subsection (d)), or local residential telephone service (as defined in subsection (e))."; and

"(2) by adding at the end thereof the following new subsection:

"(e) LOCAL RESIDENTIAL TELEPHONE SERVICE.—For purposes of this subchapter, the term "local residential telephone service" means (1) the communication service furnished to a subscriber which provides access to a local telephone system, and the privilege of telephonic quality communication with persons having telephone or radio telephone stations constituting a part of such local telephone system, if the telephone station which is furnished to the subscriber is located in a personal residence of the subscriber and is not used principally in the conduct of any trade or business; and (2) any facility or service provided in connection with such communication service."

On page 52, line 13, strike out "(b)" and insert "(c)".

On page 52, line 22, strike out "(c)" and insert "(d)".

On page 52, lines 22 and 23, strike out "subsections (a) and (b)" and insert "this section".

Mr. LONG of Louisiana. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the bill be printed with the amendments numbered; and that in the engrossment of the amendments of the Senate to the bill H.R. 12752, the Secretary of the

Senate be authorized to make all necessary technical and clerical changes and corrections, including corrections in section and subsection numbers, designations, and cross references thereto.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. LONG of Louisiana. Mr. President, I move that the Senate insist on its amendments to the bill H.R. 12752 and ask for a conference with the House thereon; and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LONG of Louisiana, Mr. SMATHERS, Mr. ANDERSON, Mr. WILLIAMS of Delaware, and Mr. CARLSON conferees on the part of the Senate.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to ask the distinguished majority leader what the business before the Senate will be tomorrow.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

Mr. MANSFIELD. Mr. President, in response to the question of the distinguished minority leader, I ask unanimous consent that the Senate proceed to the consideration of H.R. 12169, the Foreign Economic Assistance supplemental bill, and that it be laid before the Senate and made the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 12169) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Foreign Relations.

Mr. DIRKSEN. Mr. President, I should like to ask the majority leader, further, whether there is a possibility that the Senate may finish its consideration of the bill tomorrow. Some Senators are encumbered with engagements on Friday. I assume that if the Senate convened a little earlier, there might be a prospect of completing action on the bill tomorrow.

Mr. MANSFIELD. I guess I have a long neck, so I can stretch it a little.

ORDER FOR ADJOURNMENT UNTIL 10 A.M.
TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business tonight, it adjourn until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. On that basis, I am hopeful, but I would not wager, that we might be able to make real progress on the bill.

Mr. DIRKSEN. Mr. President, I observe in the Chamber the distinguished

Senator from Alabama [Mr. SPARKMAN], who will probably manage the bill on the floor of the Senate. Probably he can give us some assurances on that point.

Mr. SPARKMAN. I am one of those who have appointments out of the city on Friday, so I shall certainly be co-operative.

Mr. DIRKSEN. Would the distinguished Senator care to speak for other members of the committee?

Mr. SPARKMAN. The committee has 19 members. It would be quite a job to speak for all of them.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

Mr. MORSE. I wonder if the Senator from Alabama is in an associating mood.

Would the majority leader be receptive to a vote on the passage of the bill tomorrow afternoon at 3 o'clock?

Mr. MANSFIELD. Mr. President, would the Senator be willing to make that 3:30?

Mr. MORSE. Very well; 3:30.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the vote on the passage of the pending bill occur at 3:30 o'clock tomorrow afternoon, and that rule XII, clause 3, requiring a quorum call before setting the time for final passage of the bill be suspended.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, is it in order now to ask for the yeas and nays on the passage of the bill at 3:30 tomorrow afternoon?

The PRESIDING OFFICER. The bill has been laid before the Senate. The request is in order.

The yeas and nays were ordered.

Mr. MANSFIELD. This is all a little unusual.

Mr. DIRKSEN. I have one more question. Can the majority leader state when we may expect to consider the mine safety bill?

Mr. MANSFIELD. Following the completion of the pending business, it is planned to call up the mine safety bill, which would be, I believe, on either Friday or Monday, depending on the progress that is made tomorrow. That bill will be followed by the small business bill, in which both the Senator from Wisconsin and the Senator from Massachusetts are interested.

Mr. HICKENLOOPER. Mr. President, will the Senator yield for an inquiry?

Mr. MANSFIELD. I yield.

Mr. HICKENLOOPER. In the unanimous-consent agreement which was just entered into—and which, I frankly say, was so smoothly and quickly done that I have not recovered yet from the shock—

Mr. MANSFIELD. Neither have I.

Mr. HICKENLOOPER. Nothing was said about amendments. I merely suggest this because some Senator may obtain the floor tomorrow, offer an amendment, and talk until 3:30 in the afternoon, when the Senate is scheduled to vote. How is that situation to be met?

Mr. MANSFIELD. The Senator has asked a fair question. I was as much surprised as he was in the granting of the unanimous-consent request.

Mr. President, if amendments are to be offered—and I assume they will be—how much time would the Senator suggest be allowed for amendments?

Mr. HICKENLOOPER. I am ready to vote on the bill now. I have no amendments to offer. I am merely suggesting a parliamentary situation which could be rather unfair to the Senate, if the agreement is left open-ended in this way. It raises the possibility that a Senator could offer an amendment and then talk all the way to 3:30 o'clock in the afternoon.

Mr. MANSFIELD. The Senator is correct.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. MORSE. In defense of the entire Senate, I should like to say that no Senator is thinking of doing that.

Mr. DIRKSEN. I acted on my own responsibility today to speak with the Senator from Oregon. I also spoke with the Senator from Alabama [Mr. SPARKMAN] and the chairman of the committee [Mr. FULBRIGHT], and with every Senator whom they suggested, to ascertain whether there would be an extended discussion of the bill; and second, whether any amendments would be offered. All this was done with the hope of trying to determine how much time would be required for the consideration of the bill. I did this only because requests were coming from Senators who had meetings scheduled for Friday. They felt that they might be embarrassed and might have to cancel their meetings. The Senator from Oregon gave me some assurance as to how long he would talk; likewise, the other Senators. On that basis, I can readily see that action on the bill can be concluded, without rushing, by 3:30 o'clock tomorrow afternoon.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that if amendments are to be offered, there be a limitation of 30 minutes to each amendment, 15 minutes to a side, the time to be equally divided between the proposer of the amendment and the manager of the bill.

Mr. HICKENLOOPER. Mr. President, I am sorry I opened up this whole can of worms. I withdraw all my statements.

Mr. ALLOTT. Mr. President, I wonder if the distinguished majority leader would agree that we might avoid some difficulty if he would also include in the unanimous-consent request a division of time on the bill, so that we would not encounter on the bill itself the same possibility that the Senator from Iowa feared might occur on amendments.

Mr. MORSE. That is what I was about to suggest. I was a little surprised that any Senator might not cooperate completely within the spirit of the unanimous-consent agreement. I am perfectly willing to have the time divided during the day. I sought to do so in order to cooperate with the two leaders, so that the Senate could vote tomorrow and not have the bill go over until Monday.

I think that is what we were faced with. We must either get it out of the way by 3:30 p.m. tomorrow afternoon or go over to Monday.

I told the majority leader that I did not expect to speak for more than 30 minutes. It is such a terrible bill that a reading of it speaks for itself.

I shall vote against the bill. Amendments were offered in committee. We failed in the committee to get needed amendments to the bill.

I do not think that it will take very long, if anyone offers amendments on tomorrow, to get votes on the amendments.

I know what the situation is in regard to the power bloc that is going to roll in the Senate tomorrow on this bill. We might as well get it behind us and get it to the people. They will have to be the final judges anyway. I shall be ready to vote at 3:30 tomorrow afternoon.

Mr. MANSFIELD. Mr. President, I amend my unanimous-consent request and ask unanimous consent that, in addition to the time being divided equally on the amendment, the last hour be divided equally between the majority and minority leaders.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MORSE. Mr. President, the understanding is that the unanimous-consent request on the amendments in no way extends the unanimous-consent agreement to vote at 3:30 tomorrow afternoon.

Mr. MANSFIELD. The Senator is correct.

Mr. MORSE. With that understanding, I do not object.

Mr. MANSFIELD. Mr. President, just to make the RECORD straight on the unanimous-consent request, I think it should be understood that the vote will take place not later than 3:30 tomorrow afternoon. It could be ahead of that time.

The PRESIDING OFFICER. Without objection, it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That the Senate proceed to vote not later than 3:30 p.m. on Thursday, March 10, 1966, on final passage of the bill (H.R. 12169) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Ordered further, That debate on any amendment be limited to 30 minutes, to be equally divided and controlled by the author of the amendment and the majority leader or any Senator designated by him. *Provided further*, That the last hour of debate before the vote be equally divided and controlled by the majority and minority leaders.

ADJOURNMENT TO 10 A.M. TOMORROW

Mr. METCALF. Mr. President, if there is no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand adjourned until 10 o'clock a.m., tomorrow.

The motion was agreed to; and (at 5 o'clock and 57 minutes p.m.) the Senate adjourned, under the previous order, until tomorrow, Thursday, March 10, 1966, at 10 o'clock a.m.

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 9, 1966

Ordered to be printed with the amendments of the Senate numbered

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the “Tax
5 Adjustment Act of 1966”.

1 (b) AMENDMENT OF 1954 CODE.—Except as otherwise
2 expressly provided, whenever in this Act an amendment or
3 repeal is expressed in terms of an amendment to, or repeal
4 of, a section or other provision, the reference shall be con-
5 sidered to be made to a section or other provision of the
6 Internal Revenue Code of 1954.

7 **TITLE I—ADJUSTMENT OF CERTAIN COLLECTION**
8 **PROCEDURES**

9 **SECTION 101. INCOME TAX COLLECTED AT SOURCE.**

10 (a) PERCENTAGE METHOD OF WITHHOLDING.—Sub-
11 section (a) of section 3402 (relating to requirement of
12 withholding) is amended to read as follows:

13 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
14 ployer making payment of wages shall deduct and withhold
15 upon such wages (except as otherwise provided in this sec-
16 tion) a tax determined in accordance with the following
17 tables. For purposes of applying such tables, the term ‘the
18 amount of wages’ means the amount by which the wages
19 exceed the number of withholding exemptions claimed, multi-

1 plied by the amount of one such exemption as shown in the
 2 table in subsection (b) (1) :

“Table 1—If the payroll period with respect to an employee is
 WEEKLY

3 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$13-----	14% of excess over \$4.
Over \$13 but not over \$23-----	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85-----	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169-----	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212-----	\$30.10 plus 25% of excess over \$169.
Over \$212-----	\$40.85 plus 30% of excess over \$212.

4 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$4-----	0.
Over \$4 but not over \$23-----	14% of excess over \$4.
Over \$23 but not over \$85-----	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169-----	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340-----	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423-----	\$60.44 plus 25% of excess over \$340.
Over \$423-----	\$81.19 plus 30% of excess over \$423.

“Table 2—If the payroll period with respect to an employee is
 BIWEEKLY

5 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
(1) [\$8 but not over \$27-----	14% of excess over \$8.]
Over \$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

“Table 3—If the payroll period with respect to an employee is
SEMIMONTHLY

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

**“Table 4—If the payroll period with respect to an employee is
MONTHLY**

1 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

2 **“(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833---	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

**“Table 5—If the payroll period with respect to an employee is
QUARTERLY**

3 **“(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200---	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750---	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

1 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

**“Table 6—If the payroll period with respect to an employee is
SEMIANNUAL**

2 “(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

3 “(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

**"Table 7—If the payroll period with respect to an employee is
ANNUAL**

1 **"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800----	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000----	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

2 **"(b) Married Person:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$4,400----	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800--	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700--	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000--	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

**"Table 8—If the payroll period with respect to an employee is a
DAILY payroll period or a miscellaneous payroll period**

3 **"(a) Single Person—Including Head of Household:**

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be (2) the following amount multiplied by the number of days in such period:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90-----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10-----	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10--	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10--	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

1 “(b) Married Person:

If the amount of wages divided by the number of days in the pay- roll period is:	The amount of income tax to be withheld shall be (3) <i>the follow- ing amount multiplied by the number of days in such period:</i>
Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30-----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10-----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10---	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50---	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30---	\$8.63 plus 25% of excess over \$48.50.
Over 60.30-----	\$11.58 plus 30% of excess over \$60.30.”

2 (b) AMOUNT OF WITHHOLDING EXEMPTION.—Para-
3 graph (1) of section 3402 (b) (relating to percentage
4 method withholding table) is amended by striking out the
5 table set forth therein and inserting the following table in
6 lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly -----	\$13.50.
Biweekly-----	26.90.
Semimonthly -----	29.20.
Monthly -----	58.30.
Quarterly -----	175.00.
Semiannual -----	350.00.
Annual -----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

7 (c) WAGE BRACKET WITHHOLDING.—Paragraph (1)
8 of section 3402 (c) (relating to wage bracket withholding)

- 1 is amended by striking out the tables set forth therein and
 2 inserting the following tables in lieu thereof:

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.70	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	2.00	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.30	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.40	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.60	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.70	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.90	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	3.00	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.20	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.40	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.50	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.70	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.90	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	4.10	1.90	0	0	0	0	0	0	0	0	0
\$31	\$32	4.20	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.40	2.20	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.60	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.70	2.50	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.90	2.60	.70	0	0	0	0	0	0	0	0
\$36	\$37	5.10	2.80	.80	0	0	0	0	0	0	0	0
\$37	\$38	5.20	3.00	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.40	3.10	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.60	3.30	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.80	3.50	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.90	3.60	1.50	0	0	0	0	0	0	0	0
\$42	\$43	6.10	3.80	1.70	0	0	0	0	0	0	0	0
\$43	\$44	6.30	4.00	1.80	0	0	0	0	0	0	0	0
\$44	\$45	6.40	4.10	2.00	0	0	0	0	0	0	0	0
\$45	\$46	6.60	4.30	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.80	4.50	2.30	.30	0	0	0	0	0	0	0
\$47	\$48	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$48	\$49	7.10	4.80	2.60	.60	0	0	0	0	0	0	0
\$49	\$50	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$50	\$51	7.50	5.20	2.90	.90	0	0	0	0	0	0	0
\$51	\$52	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0
\$52	\$53	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0
\$53	\$54	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$54	\$55	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0
\$55	\$56	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$56	\$57	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0
\$57	\$58	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$58	\$59	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0
\$59	\$60	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$60	\$62	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0
\$62	\$64	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0
\$64	\$66	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0
\$66	\$68	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0
\$68	\$70	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0
\$70	\$72	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0
\$72	\$74	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0
\$74	\$76	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0
\$76	\$78	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0
\$78	\$80	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0
\$80	\$82	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0
\$82	\$84	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0
\$84	\$86	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0
\$86	\$88	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0
\$88	\$90	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$90	\$92	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0
\$92	\$94	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0
\$94	\$96	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0
\$96	\$98	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0

“If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$98-----	\$100----	\$16.10	\$13.40	\$11.10	\$8.80	\$6.50	\$4.30	\$2.10	\$1.10	\$0	\$0	\$0
\$100-----	\$105----	16.80	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0
\$105-----	\$110----	17.80	15.10	12.60	10.30	8.00	5.70	3.40	1.30	0	0	0
\$110-----	\$115----	18.80	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0
\$115-----	\$120----	19.80	17.10	14.40	12.00	9.70	7.40	5.10	2.80	.80	0	0
\$120-----	\$125----	20.80	18.10	15.40	12.80	10.50	8.20	6.00	3.70	1.50	0	0
\$125-----	\$130----	21.80	19.10	16.40	13.80	11.40	9.10	6.80	4.50	2.30	.40	0
\$130-----	\$135----	22.80	20.10	17.40	14.80	12.20	9.90	7.70	5.40	3.10	1.10	0
\$135-----	\$140----	23.80	21.10	18.40	15.80	13.10	10.80	8.50	6.20	3.90	1.80	0
\$140-----	\$145----	24.80	22.10	19.40	16.80	14.10	11.60	9.40	7.10	4.80	2.50	.60
\$145-----	\$150----	25.80	23.10	20.40	17.80	15.10	12.50	10.20	7.90	5.60	3.30	1.30
\$150-----	\$160----	27.30	24.60	21.90	19.30	16.60	13.90	11.50	9.20	6.90	4.60	2.40
\$160-----	\$170----	29.30	26.60	23.90	21.30	18.60	15.90	13.20	10.90	8.60	6.30	4.00
\$170-----	\$180----	31.60	28.60	25.90	23.30	20.60	17.90	15.20	12.60	10.30	8.00	5.70
\$180-----	\$190----	34.10	30.80	27.90	25.30	22.60	19.90	17.20	14.50	12.00	9.70	7.40
\$190-----	\$200----	36.60	33.30	29.90	27.30	24.60	21.90	19.20	16.50	13.80	11.40	9.10
\$200-----	\$210----	39.10	35.80	32.40	29.30	26.60	23.90	21.20	18.50	15.80	13.10	10.80
\$210-----	\$220----	41.80	38.30	34.90	31.50	28.60	25.90	23.20	20.50	17.80	15.10	12.50
\$220-----	\$230----	44.80	40.80	37.40	34.00	30.70	27.90	25.20	22.50	19.80	17.10	14.40
\$230-----	\$240----	47.80	43.80	39.90	36.50	33.20	29.90	27.20	24.50	21.80	19.10	16.40
\$240-----	\$250----	50.80	46.80	42.70	39.00	35.70	32.30	29.20	26.50	23.80	21.10	18.40
\$250-----	\$260----	53.80	49.80	45.70	41.70	38.20	34.80	31.40	28.50	25.80	23.10	20.40
\$260-----	\$270----	56.80	52.80	48.70	44.70	40.70	37.30	33.90	30.60	27.80	25.10	22.40
\$270-----	\$280----	59.80	55.80	51.70	47.70	43.60	39.80	36.40	33.10	29.80	27.10	24.40
\$280-----	\$290----	62.80	58.80	54.70	50.70	46.60	42.60	38.90	35.60	32.20	29.10	26.40
\$290-----	\$300----	65.80	61.80	57.70	53.70	49.60	45.60	41.60	38.10	34.70	31.30	28.40
\$300-----	\$310----	68.80	64.80	60.70	56.70	52.60	48.60	44.60	40.60	37.20	33.80	30.50
\$310-----	\$320----	71.80	67.80	63.70	59.70	55.60	51.60	47.60	43.50	39.70	36.30	33.00
\$320-----	\$330----	74.80	70.80	66.70	62.70	58.60	54.60	50.60	46.50	42.50	38.80	35.50
\$330-----	\$340----	77.80	73.80	69.70	65.70	61.60	57.60	53.60	49.50	45.50	41.40	38.00
\$340-----	\$350----	80.80	76.80	72.70	68.70	64.60	60.60	56.60	52.50	48.50	44.40	40.50
\$350-----	\$360----	83.80	79.80	75.70	71.70	67.60	63.60	59.60	55.50	51.50	47.40	43.40
30 percent of the excess over \$360 plus—												
\$360 and over----		85.30	81.30	77.20	73.20	69.10	65.10	61.10	57.00	53.00	48.90	44.90

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4	\$5	.10	0	0	0	0	0	0	0	0	0	0
\$5	\$6	.20	0	0	0	0	0	0	0	0	0	0
\$6	\$7	.40	0	0	0	0	0	0	0	0	0	0
\$7	\$8	.50	0	0	0	0	0	0	0	0	0	0
\$8	\$9	.70	0	0	0	0	0	0	0	0	0	0
\$9	\$10	.80	0	0	0	0	0	0	0	0	0	0
\$10	\$11	.90	0	0	0	0	0	0	0	0	0	0
\$11	\$12	1.10	0	0	0	0	0	0	0	0	0	0
\$12	\$13	1.20	0	0	0	0	0	0	0	0	0	0
\$13	\$14	1.40	0	0	0	0	0	0	0	0	0	0
\$14	\$15	1.50	0	0	0	0	0	0	0	0	0	0
\$15	\$16	1.60	0	0	0	0	0	0	0	0	0	0
\$16	\$17	1.80	0	0	0	0	0	0	0	0	0	0
\$17	\$18	1.90	0	0	0	0	0	0	0	0	0	0
\$18	\$19	2.10	.20	0	0	0	0	0	0	0	0	0
\$19	\$20	2.20	.30	0	0	0	0	0	0	0	0	0
\$20	\$21	2.30	.40	0	0	0	0	0	0	0	0	0
\$21	\$22	2.50	.60	0	0	0	0	0	0	0	0	0
\$22	\$23	2.60	.70	0	0	0	0	0	0	0	0	0
\$23	\$24	2.80	.90	0	0	0	0	0	0	0	0	0
\$24	\$25	2.90	1.00	0	0	0	0	0	0	0	0	0
\$25	\$26	3.10	1.10	0	0	0	0	0	0	0	0	0
\$26	\$27	3.20	1.30	0	0	0	0	0	0	0	0	0
\$27	\$28	3.40	1.40	0	0	0	0	0	0	0	0	0
\$28	\$29	3.50	1.60	0	0	0	0	0	0	0	0	0
\$29	\$30	3.70	1.70	0	0	0	0	0	0	0	0	0
\$30	\$31	3.80	1.80	0	0	0	0	0	0	0	0	0
\$31	\$32	4.00	2.00	.10	0	0	0	0	0	0	0	0
\$32	\$33	4.10	2.10	.20	0	0	0	0	0	0	0	0
\$33	\$34	4.30	2.30	.40	0	0	0	0	0	0	0	0
\$34	\$35	4.40	2.40	.50	0	0	0	0	0	0	0	0
\$35	\$36	4.60	2.50	.70	0	0	0	0	0	0	0	0
\$36	\$37	4.70	2.70	.80	0	0	0	0	0	0	0	0
\$37	\$38	4.90	2.80	.90	0	0	0	0	0	0	0	0
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0
\$54	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0
\$55	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0
\$56	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0
\$57	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0
\$58	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0
\$59	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0
\$60	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0
\$62	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0
\$64	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0
\$66	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0
\$68	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0
\$70	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0
\$72	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0
\$74	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0
\$76	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0
\$78	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0
\$80	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0
\$82	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0
\$84	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0
\$86	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0
\$88	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0
\$90	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0
\$92	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0
\$94	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0
\$96	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0
\$98	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0
\$100	\$105	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0
\$105	\$110	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0
\$110	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0
\$115	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0
\$120	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0
\$125	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0
\$130	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0
\$135	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0

“If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$140----	\$145---	\$21. 80	\$19. 50	\$17. 20	\$14. 90	\$12. 60	\$10. 50	\$8. 50	\$6. 50	\$4. 50	\$2. 50	\$.60
\$145----	\$150---	22. 60	20. 30	18. 00	15. 70	13. 50	11. 30	9. 20	7. 20	5. 20	3. 20	1. 30
\$150----	\$160---	23. 90	21. 60	19. 30	17. 00	14. 70	12. 40	10. 40	8. 30	6. 30	4. 30	2. 30
\$160----	\$170---	25. 60	23. 30	21. 00	18. 70	16. 40	14. 10	11. 90	9. 80	7. 80	5. 80	3. 80
\$170----	\$180---	27. 50	25. 00	22. 70	20. 40	18. 10	15. 80	13. 60	11. 30	9. 30	7. 30	5. 30
\$180----	\$190---	29. 50	26. 80	24. 40	22. 10	19. 80	17. 50	15. 30	13. 00	10. 80	8. 80	6. 80
\$190----	\$200---	31. 50	28. 80	26. 10	23. 80	21. 50	19. 20	17. 00	14. 70	12. 40	10. 30	8. 30
\$200----	\$210---	33. 50	30. 80	28. 10	25. 50	23. 20	20. 90	18. 70	16. 40	14. 10	11. 80	9. 80
\$210----	\$220---	35. 50	32. 80	30. 10	27. 40	24. 90	22. 60	20. 40	18. 10	15. 80	13. 50	11. 30
\$220----	\$230---	37. 50	34. 80	32. 10	29. 40	26. 70	24. 30	22. 10	19. 80	17. 50	15. 20	12. 90
\$230----	\$240---	39. 50	36. 80	34. 10	31. 40	28. 70	26. 00	23. 80	21. 50	19. 20	16. 90	14. 60
\$240----	\$250---	41. 50	38. 80	36. 10	33. 40	30. 70	28. 00	25. 50	23. 20	20. 90	18. 60	16. 30
\$250----	\$260---	43. 50	40. 80	38. 10	35. 40	32. 70	30. 00	27. 30	24. 90	22. 60	20. 30	18. 00
\$260----	\$270---	45. 50	42. 80	40. 10	37. 40	34. 70	32. 00	29. 30	26. 60	24. 30	22. 00	19. 70
\$270----	\$280---	47. 50	44. 80	42. 10	39. 40	36. 70	34. 00	31. 30	28. 60	26. 00	23. 70	21. 40
\$280----	\$290---	49. 50	46. 80	44. 10	41. 40	38. 70	36. 00	33. 30	30. 60	27. 90	25. 40	23. 10
\$290----	\$300---	51. 50	48. 80	46. 10	43. 40	40. 70	38. 00	35. 30	32. 60	29. 90	27. 20	24. 80
\$300----	\$310---	53. 50	50. 80	48. 10	45. 40	42. 70	40. 00	37. 30	34. 60	31. 90	29. 20	26. 50
\$310----	\$320---	55. 50	52. 80	50. 10	47. 40	44. 70	42. 00	39. 30	36. 60	33. 90	31. 20	28. 50
\$320----	\$330---	57. 50	54. 80	52. 10	49. 40	46. 70	44. 00	41. 30	38. 60	35. 90	33. 20	30. 50
\$330----	\$340---	59. 50	56. 80	54. 10	51. 40	48. 70	46. 00	43. 30	40. 60	37. 90	35. 20	32. 50
\$340----	\$350---	61. 70	58. 80	56. 10	53. 40	50. 70	48. 00	45. 30	42. 60	39. 90	37. 20	34. 50
\$350----	\$360---	64. 20	60. 80	58. 10	55. 40	52. 70	50. 00	47. 30	44. 60	41. 90	39. 20	36. 50
\$360----	\$370---	66. 70	63. 30	60. 10	57. 40	54. 70	52. 00	49. 30	46. 60	43. 90	41. 20	38. 50
\$370----	\$380---	69. 20	65. 80	62. 50	59. 40	56. 70	54. 00	51. 30	48. 60	45. 90	43. 20	40. 50
\$380----	\$390---	71. 70	68. 30	65. 00	61. 60	58. 70	56. 00	53. 30	50. 60	47. 90	45. 20	42. 50
\$390----	\$400---	74. 20	70. 80	67. 50	64. 10	60. 70	58. 00	55. 30	52. 60	49. 90	47. 20	44. 50
\$400----	\$410---	76. 70	73. 30	70. 00	66. 60	63. 20	60. 00	57. 30	54. 60	51. 90	49. 20	46. 50
\$410----	\$420---	79. 20	75. 80	72. 50	69. 10	65. 70	62. 40	59. 30	56. 60	53. 90	51. 20	48. 50
\$420----	\$430---	81. 80	78. 30	75. 00	71. 60	68. 20	64. 90	61. 50	58. 60	55. 90	53. 20	50. 50
\$430----	\$440---	84. 80	80. 80	77. 50	74. 10	70. 70	67. 40	64. 00	60. 60	57. 90	55. 20	52. 50
\$440----	\$450---	87. 80	83. 80	80. 00	76. 60	73. 20	69. 90	66. 50	63. 10	59. 90	57. 20	54. 50
\$450----	\$460---	90. 80	86. 80	82. 70	79. 10	75. 70	72. 40	69. 00	65. 60	62. 30	59. 20	56. 50
\$460----	\$470---	93. 80	89. 80	85. 70	81. 70	78. 20	74. 90	71. 50	68. 10	64. 80	61. 40	58. 50
\$470----	\$480---	96. 80	92. 80	88. 70	84. 70	80. 70	77. 40	74. 00	70. 60	67. 30	63. 90	60. 50
\$480----	\$490---	99. 80	95. 80	91. 70	87. 70	83. 60	79. 90	76. 50	73. 10	69. 80	66. 40	63. 00
\$490----	\$500---	102. 80	98. 80	94. 70	90. 70	86. 60	82. 60	79. 00	75. 60	72. 30	68. 90	65. 50
\$500----	\$510---	105. 80	101. 80	97. 70	93. 70	89. 60	85. 60	81. 60	78. 10	74. 80	71. 40	68. 00
\$510----	\$520---	108. 80	104. 80	100. 70	96. 70	92. 60	88. 60	84. 60	80. 60	77. 30	73. 90	70. 50
\$520----	\$530---	111. 80	107. 80	103. 70	99. 70	95. 60	91. 60	87. 60	83. 50	79. 80	76. 40	73. 00
\$530----	\$540---	114. 80	110. 80	106. 70	102. 70	98. 60	94. 60	90. 60	86. 50	82. 50	78. 90	75. 50
\$540----	\$550---	117. 80	113. 80	109. 70	105. 70	101. 60	97. 60	93. 60	89. 50	85. 50	81. 40	78. 00
\$550----	\$560---	120. 80	116. 80	112. 70	108. 70	104. 60	100. 60	96. 60	92. 50	88. 50	84. 40	80. 50
\$560----	\$570---	123. 80	119. 80	115. 70	111. 70	107. 60	103. 60	99. 60	95. 50	91. 50	87. 40	83. 40
30 percent of the excess over \$570 plus—												
\$570 and over----		125. 30	121. 30	117. 20	113. 20	109. 10	105. 10	101. 10	97. 00	93. 00	88. 90	84. 90

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0
\$80	\$82	11.50	6.90	2.70	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0
\$102	\$104	15.20	10.70	6.10	2.00	0	0	0	0	0	0	0
\$104	\$106	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106	\$108	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108	\$110	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110	\$112	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112	\$114	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114	\$116	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116	\$118	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118	\$120	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120	\$124	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$124	\$128	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$128	\$132	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$132	\$136	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$136	\$140	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$140	\$144	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$144	\$148	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$148	\$152	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$152	\$156	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$156	\$160	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$160	\$164	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$164	\$168	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$168	\$172	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$172	\$176	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$176	\$180	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$180	\$184	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$184	\$188	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$188	\$192	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$192	\$196	31.60	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$196	\$200	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$200	\$210	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$210	\$220	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$220	\$230	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$230	\$240	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$240	\$250	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$250	\$260	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$260	\$270	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$270	\$280	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0

“If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$280-----	\$290----	\$49.70	\$44.30	\$38.90	\$33.50	\$28.10	\$23.30	\$18.70	\$14.10	\$9.60	\$5.10	\$1.10
\$290-----	\$300----	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300-----	\$320----	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320-----	\$340----	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340-----	\$360----	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360-----	\$380----	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380-----	\$400----	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400-----	\$420----	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420-----	\$440----	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440-----	\$460----	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460-----	\$480----	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480-----	\$500----	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500-----	\$520----	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520-----	\$540----	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540-----	\$560----	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560-----	\$580----	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580-----	\$600----	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600-----	\$620----	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620-----	\$640----	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640-----	\$660----	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660-----	\$680----	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680-----	\$700----	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700-----	\$720----	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over---		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.80	.10	0	0	0	0	0	0	0	0	0
\$36	\$38	4.10	.30	0	0	0	0	0	0	0	0	0
\$38	\$40	4.40	.60	0	0	0	0	0	0	0	0	0
\$40	\$42	4.70	.90	0	0	0	0	0	0	0	0	0
\$42	\$44	4.90	1.20	0	0	0	0	0	0	0	0	0
\$44	\$46	5.20	1.50	0	0	0	0	0	0	0	0	0
\$46	\$48	5.50	1.70	0	0	0	0	0	0	0	0	0
\$48	\$50	5.80	2.00	0	0	0	0	0	0	0	0	0
\$50	\$52	6.10	2.30	0	0	0	0	0	0	0	0	0
\$52	\$54	6.40	2.60	0	0	0	0	0	0	0	0	0
\$54	\$56	6.70	2.90	0	0	0	0	0	0	0	0	0
\$56	\$58	7.00	3.10	0	0	0	0	0	0	0	0	0
\$58	\$60	7.30	3.40	0	0	0	0	0	0	0	0	0
\$60	\$62	7.60	3.70	0	0	0	0	0	0	0	0	0
\$62	\$64	7.90	4.00	.20	0	0	0	0	0	0	0	0
\$64	\$66	8.20	4.30	.50	0	0	0	0	0	0	0	0
\$66	\$68	8.50	4.50	.80	0	0	0	0	0	0	0	0
\$68	\$70	8.80	4.80	1.00	0	0	0	0	0	0	0	0
\$70	\$72	9.10	5.10	1.30	0	0	0	0	0	0	0	0
\$72	\$74	9.40	5.40	1.60	0	0	0	0	0	0	0	0
\$74	\$76	9.70	5.70	1.90	0	0	0	0	0	0	0	0
\$76	\$78	10.00	6.00	2.20	0	0	0	0	0	0	0	0
\$78	\$80	10.30	6.30	2.40	0	0	0	0	0	0	0	0
\$80	\$82	10.60	6.60	2.70	0	0	0	0	0	0	0	0
\$82	\$84	10.90	6.90	3.00	0	0	0	0	0	0	0	0
\$84	\$86	11.20	7.20	3.30	0	0	0	0	0	0	0	0
\$86	\$88	11.50	7.50	3.60	0	0	0	0	0	0	0	0
\$88	\$90	11.80	7.80	3.80	.10	0	0	0	0	0	0	0
\$90	\$92	12.10	8.10	4.10	.40	0	0	0	0	0	0	0
\$92	\$94	12.40	8.40	4.40	.60	0	0	0	0	0	0	0
\$94	\$96	12.70	8.70	4.70	.90	0	0	0	0	0	0	0
\$96	\$98	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0
\$98	\$100	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0
\$100	\$102	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0
\$102	\$104	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0
\$104	\$106	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0
\$106	\$108	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0
\$108	\$110	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0
\$110	\$112	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0
\$112	\$114	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0
\$114	\$116	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0
\$116	\$118	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0
\$118	\$120	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0
\$120	\$124	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0
\$124	\$128	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0
\$128	\$132	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0
\$132	\$136	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0
\$136	\$140	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0
\$140	\$144	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0
\$144	\$148	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0
\$148	\$152	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0
\$152	\$156	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0
\$156	\$160	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0
\$160	\$164	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0
\$164	\$168	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0
\$168	\$172	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0
\$172	\$176	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0
\$176	\$180	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0
\$180	\$184	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0
\$184	\$188	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0
\$188	\$192	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0
\$192	\$196	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0
\$196	\$200	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0
\$200	\$210	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0
\$210	\$220	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0
\$220	\$230	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0
\$230	\$240	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0
\$240	\$250	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0
\$250	\$260	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0

“If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260----	\$270----	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270----	\$280----	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280----	\$290----	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290----	\$300----	45.20	40.70	36.10	31.50	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300----	\$320----	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320----	\$340----	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340----	\$360----	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360----	\$380----	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380----	\$400----	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400----	\$420----	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420----	\$440----	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440----	\$460----	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460----	\$480----	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480----	\$500----	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500----	\$520----	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520----	\$540----	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540----	\$560----	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560----	\$580----	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580----	\$600----	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600----	\$620----	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620----	\$640----	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640----	\$660----	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660----	\$680----	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680----	\$700----	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700----	\$720----	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720----	\$740----	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740----	\$760----	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760----	\$780----	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780----	\$800----	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800----	\$820----	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820----	\$840----	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840----	\$860----	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860----	\$880----	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880----	\$900----	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900----	\$920----	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920----	\$940----	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940----	\$960----	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960----	\$980----	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980----	\$1,000----	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000----	\$1,020----	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020----	\$1,040----	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040----	\$1,060----	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060----	\$1,080----	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080----	\$1,100----	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100----	\$1,120----	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120----	\$1,140----	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over--		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.80	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.10	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.40	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.70	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	5.00	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.30	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.60	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.90	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.20	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.60	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.90	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	7.20	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.60	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.90	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	8.30	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.60	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.90	4.20	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	9.30	4.50	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.60	4.80	.60	0	0	0	0	0	0	0	0
\$72.....	\$74.....	10.00	5.10	.90	0	0	0	0	0	0	0	0
\$74.....	\$76.....	10.30	5.40	1.20	0	0	0	0	0	0	0	0
\$76.....	\$78.....	10.60	5.70	1.40	0	0	0	0	0	0	0	0
\$78.....	\$80.....	11.00	6.00	1.70	0	0	0	0	0	0	0	0
\$80.....	\$82.....	11.30	6.40	2.00	0	0	0	0	0	0	0	0
\$82.....	\$84.....	11.70	6.70	2.30	0	0	0	0	0	0	0	0
\$84.....	\$86.....	12.00	7.00	2.60	0	0	0	0	0	0	0	0
\$86.....	\$88.....	12.30	7.40	2.80	0	0	0	0	0	0	0	0
\$88.....	\$90.....	12.70	7.70	3.10	0	0	0	0	0	0	0	0
\$90.....	\$92.....	13.00	8.10	3.40	0	0	0	0	0	0	0	0
\$92.....	\$94.....	13.40	8.40	3.70	0	0	0	0	0	0	0	0
\$94.....	\$96.....	13.70	8.70	4.00	0	0	0	0	0	0	0	0
\$96.....	\$98.....	14.00	9.10	4.30	.20	0	0	0	0	0	0	0
\$98.....	\$100.....	14.40	9.40	4.60	.40	0	0	0	0	0	0	0
\$100.....	\$102.....	14.70	9.80	4.90	.70	0	0	0	0	0	0	0
\$102.....	\$104.....	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0
\$104.....	\$106.....	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0
\$106.....	\$108.....	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0
\$108.....	\$110.....	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0
\$110.....	\$112.....	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0
\$112.....	\$114.....	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0
\$114.....	\$116.....	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0
\$116.....	\$118.....	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0
\$118.....	\$120.....	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0
\$120.....	\$124.....	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0
\$124.....	\$128.....	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0
\$128.....	\$132.....	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0
\$132.....	\$136.....	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0
\$136.....	\$140.....	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0
\$140.....	\$144.....	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0
\$144.....	\$148.....	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0
\$148.....	\$152.....	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0
\$152.....	\$156.....	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0
\$156.....	\$160.....	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0
\$160.....	\$164.....	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0
\$164.....	\$168.....	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0
\$168.....	\$172.....	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0
\$172.....	\$176.....	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0
\$176.....	\$180.....	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0
\$180.....	\$184.....	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0
\$184.....	\$188.....	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0
\$188.....	\$192.....	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0
\$192.....	\$196.....	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0
\$196.....	\$200.....	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0
\$200.....	\$210.....	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0
\$210.....	\$220.....	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0
\$220.....	\$230.....	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0
\$230.....	\$240.....	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0
\$240.....	\$250.....	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0
\$250.....	\$260.....	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0

“If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260-----	\$270 ---	\$45. 00	\$39. 20	\$33. 40	\$27. 70	\$22. 80	\$17. 80	\$12. 80	\$7. 90	\$3. 30	\$0	\$0
\$270-----	\$280 ---	47. 00	41. 20	35. 40	29. 50	24. 50	19. 50	14. 50	9. 60	4. 80	. 60	0
\$280-----	\$290 ---	49. 00	43. 20	37. 40	31. 50	26. 20	21. 20	16. 20	11. 30	6. 30	2. 00	0
\$290-----	\$300 ---	51. 00	45. 20	39. 40	33. 50	27. 90	22. 90	17. 90	13. 00	8. 00	3. 40	0
\$300-----	\$320 ---	54. 00	48. 20	42. 40	36. 50	30. 70	25. 50	20. 50	15. 50	10. 60	5. 70	1. 40
\$320-----	\$340 ---	58. 00	52. 20	46. 40	40. 50	34. 70	28. 90	23. 90	18. 90	14. 00	9. 00	4. 30
\$340-----	\$360 ---	62. 00	56. 20	50. 40	44. 50	38. 70	32. 90	27. 30	22. 30	17. 40	12. 40	7. 50
\$360-----	\$380 ---	66. 20	60. 20	54. 40	48. 50	42. 70	36. 90	31. 00	25. 70	20. 80	15. 80	10. 90
\$380-----	\$400 ---	71. 20	64. 20	58. 40	52. 50	46. 70	40. 90	35. 00	29. 20	24. 20	19. 20	14. 30
\$400-----	\$420 ---	76. 20	68. 90	62. 40	56. 50	50. 70	44. 90	39. 00	33. 20	27. 60	22. 60	17. 70
\$420-----	\$440 ---	81. 20	73. 90	66. 60	60. 50	54. 70	48. 90	43. 00	37. 20	31. 40	26. 00	21. 10
\$440-----	\$460 ---	86. 20	78. 90	71. 60	64. 50	58. 70	52. 90	47. 00	41. 20	35. 40	29. 50	24. 50
\$460-----	\$480 ---	91. 80	83. 90	76. 60	69. 30	62. 70	56. 90	51. 00	45. 20	39. 40	33. 50	27. 90
\$480-----	\$500 ---	97. 80	89. 00	81. 60	74. 30	67. 00	60. 90	55. 00	49. 20	43. 40	37. 50	31. 70
\$500-----	\$520 ---	103. 80	95. 00	86. 60	79. 30	72. 00	64. 90	59. 00	53. 20	47. 40	41. 50	35. 70
\$520-----	\$540 ---	109. 80	101. 00	92. 30	84. 30	77. 00	69. 80	63. 00	57. 20	51. 40	45. 50	39. 70
\$540-----	\$560 ---	115. 80	107. 00	98. 30	89. 50	82. 00	74. 80	67. 50	61. 20	55. 40	49. 50	43. 70
\$560-----	\$580 ---	121. 80	113. 00	104. 30	95. 50	87. 00	79. 80	72. 50	65. 20	59. 40	53. 50	47. 70
\$580-----	\$600 ---	127. 80	119. 00	110. 30	101. 50	92. 80	84. 80	77. 50	70. 20	63. 40	57. 50	51. 70
\$600-----	\$620 ---	133. 80	125. 00	116. 30	107. 50	98. 80	90. 00	82. 50	75. 20	67. 90	61. 50	55. 70
\$620-----	\$640 ---	139. 80	131. 00	122. 30	113. 50	104. 80	96. 00	87. 50	80. 20	72. 90	65. 60	59. 70
\$640-----	\$660 ---	145. 80	137. 00	128. 30	119. 50	110. 80	102. 00	93. 30	85. 20	77. 90	70. 60	63. 70
\$660-----	\$680 ---	151. 80	143. 00	134. 30	125. 50	116. 80	108. 00	99. 30	90. 50	82. 90	75. 60	68. 30
\$680-----	\$700 ---	157. 80	149. 00	140. 30	131. 50	122. 80	114. 00	105. 30	96. 50	87. 90	80. 60	73. 30
\$700-----	\$720 ---	163. 80	155. 00	146. 30	137. 50	128. 80	120. 00	111. 30	102. 50	93. 80	85. 60	78. 30
\$720-----	\$740 ---	169. 80	161. 00	152. 30	143. 50	134. 80	126. 00	117. 30	108. 50	99. 80	91. 00	83. 30
\$740-----	\$760 ---	175. 80	167. 00	158. 30	149. 50	140. 80	132. 00	123. 30	114. 50	105. 80	97. 00	88. 30
30 percent of the excess over \$760 plus—												
\$760 and over---		178. 80	170. 00	161. 30	152. 50	143. 80	135. 00	126. 30	117. 50	108. 80	100. 00	91. 30

**“If the payroll period with respect to an employee is semimonthly
and he is married—**

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.70	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.00	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.30	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.60	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	4.90	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.00	4.70	.60	0	0	0	0	0	0	0	0
\$72.....	\$74.....	9.30	5.00	.90	0	0	0	0	0	0	0	0
\$74.....	\$76.....	9.60	5.30	1.20	0	0	0	0	0	0	0	0
\$76.....	\$78.....	9.90	5.50	1.40	0	0	0	0	0	0	0	0
\$78.....	\$80.....	10.20	5.80	1.70	0	0	0	0	0	0	0	0
\$80.....	\$82.....	10.50	6.10	2.00	0	0	0	0	0	0	0	0
\$82.....	\$84.....	10.80	6.40	2.30	0	0	0	0	0	0	0	0
\$84.....	\$86.....	11.10	6.70	2.60	0	0	0	0	0	0	0	0
\$86.....	\$88.....	11.40	7.00	2.80	0	0	0	0	0	0	0	0
\$88.....	\$90.....	11.70	7.30	3.10	0	0	0	0	0	0	0	0
\$90.....	\$92.....	12.00	7.60	3.40	0	0	0	0	0	0	0	0
\$92.....	\$94.....	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$94.....	\$96.....	12.60	8.20	4.00	0	0	0	0	0	0	0	0
\$96.....	\$98.....	12.90	8.50	4.20	.20	0	0	0	0	0	0	0
\$98.....	\$100.....	13.20	8.80	4.50	.40	0	0	0	0	0	0	0
\$100.....	\$102.....	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$102.....	\$104.....	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0
\$104.....	\$106.....	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0
\$106.....	\$108.....	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0
\$108.....	\$110.....	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$110.....	\$112.....	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0
\$112.....	\$114.....	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$114.....	\$116.....	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0
\$116.....	\$118.....	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0
\$118.....	\$120.....	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0
\$120.....	\$124.....	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0
\$124.....	\$128.....	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0
\$128.....	\$132.....	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0
\$132.....	\$136.....	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0
\$136.....	\$140.....	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0
\$140.....	\$144.....	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0
\$144.....	\$148.....	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0
\$148.....	\$152.....	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0
\$152.....	\$156.....	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0
\$156.....	\$160.....	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0
\$160.....	\$164.....	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$164	\$168	\$23.20	\$18.90	\$14.50	\$10.10	\$5.70	\$1.70	\$0	\$0	\$0	\$0	\$0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0
\$200	\$210	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0
\$270	\$280	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0
\$290	\$300	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.40
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20
\$340	\$360	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10
\$360	\$380	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10
\$380	\$400	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10
\$400	\$420	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10
\$420	\$440	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10
\$440	\$460	73.70	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10
\$460	\$480	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10
\$480	\$500	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40
\$500	\$520	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80
\$520	\$540	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20
\$540	\$560	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60
\$560	\$580	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00
\$580	\$600	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40
\$600	\$620	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80
\$620	\$640	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20
\$640	\$660	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60
\$660	\$680	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30
\$680	\$700	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30
\$700	\$720	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30
\$720	\$740	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30
\$740	\$760	133.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30
\$760	\$780	139.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30
\$780	\$800	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30
\$800	\$820	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30
\$820	\$840	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30
\$840	\$860	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30
\$860	\$880	164.30	157.00	149.70	142.40	135.10	128.50	122.70	116.80	111.00	105.20	99.30
\$880	\$900	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900	\$920	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920	\$940	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940	\$960	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960	\$980	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980	\$1,000	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000	\$1,020	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020	\$1,040	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040	\$1,060	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060	\$1,080	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080	\$1,100	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100	\$1,120	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120	\$1,140	240.00	231.20	222.50	213.70	205.00	196.20	187.50	178.70	171.00	163.70	156.40
\$1,140	\$1,160	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160	\$1,180	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180	\$1,200	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200	\$1,220	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over..		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.40	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	7.00	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.60	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.20	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.80	.40	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136.....	\$140.....	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140.....	\$144.....	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144.....	\$148.....	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148.....	\$152.....	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152.....	\$156.....	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156.....	\$160.....	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160.....	\$164.....	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164.....	\$168.....	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168.....	\$172.....	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172.....	\$176.....	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176.....	\$180.....	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180.....	\$184.....	26.00	16.10	6.90	0	0	0	0	0	0	0	0
\$184.....	\$188.....	26.70	16.80	7.50	0	0	0	0	0	0	0	0
\$188.....	\$192.....	27.40	17.50	8.10	0	0	0	0	0	0	0	0
\$192.....	\$196.....	28.10	18.10	8.70	.30	0	0	0	0	0	0	0
\$196.....	\$200.....	28.70	18.80	9.30	.90	0	0	0	0	0	0	0
\$200.....	\$204.....	29.40	19.50	9.90	1.40	0	0	0	0	0	0	0
\$204.....	\$208.....	30.10	20.20	10.50	2.00	0	0	0	0	0	0	0
\$208.....	\$212.....	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0
\$212.....	\$216.....	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0
\$216.....	\$220.....	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0
\$220.....	\$224.....	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0
\$224.....	\$228.....	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0
\$228.....	\$232.....	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0
\$232.....	\$236.....	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0
\$236.....	\$240.....	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0
\$240.....	\$248.....	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0
\$248.....	\$256.....	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0
\$256.....	\$264.....	39.30	29.40	19.50	9.80	1.40	0	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$264	\$272	\$40.60	\$30.70	\$20.80	\$11.00	\$2.50	\$0	\$0	\$0	\$0	\$0	\$0	
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0	
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0	
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0	
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0	
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0	
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0	
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0	
\$328	\$336	51.50	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0	
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0	
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0	
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0	
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0	
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0	
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0	
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.60	3.00	0	0	0	0	
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0	
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0	
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0	
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0	
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.50	6.30	0	0	0	
\$480	\$500	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	.90	0	0	
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0	
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0	
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0	
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0	
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0	
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80	
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60	
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90	
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70	
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50	
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30	
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10	
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90	
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70	
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40	
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40	
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	128.10	114.40	102.80	91.10	79.40	
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40	
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40	
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40	
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40	
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40	
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40	
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	136.60	
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	146.60	
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	156.60	
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	166.60	
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	176.60	
30 percent of the excess over \$1,520 plus—													
\$1,520 and over...		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60	

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.30	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	6.90	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.50	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.00	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.60	.40	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.10	1.00	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	9.70	1.50	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.30	2.10	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	10.80	2.70	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.40	3.20	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.00	3.80	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	12.60	4.30	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.20	4.90	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	13.80	5.50	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	14.40	6.00	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.00	6.60	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	15.60	7.10	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	16.20	7.70	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	16.80	8.30	.10	0	0	0	0	0	0	0	0
\$136.....	\$140.....	17.40	8.80	.70	0	0	0	0	0	0	0	0
\$140.....	\$144.....	18.00	9.40	1.20	0	0	0	0	0	0	0	0
\$144.....	\$148.....	18.60	9.90	1.80	0	0	0	0	0	0	0	0
\$148.....	\$152.....	19.20	10.50	2.30	0	0	0	0	0	0	0	0
\$152.....	\$156.....	19.80	11.10	2.90	0	0	0	0	0	0	0	0
\$156.....	\$160.....	20.40	11.60	3.50	0	0	0	0	0	0	0	0
\$160.....	\$164.....	21.00	12.20	4.00	0	0	0	0	0	0	0	0
\$164.....	\$168.....	21.60	12.80	4.60	0	0	0	0	0	0	0	0
\$168.....	\$172.....	22.20	13.40	5.10	0	0	0	0	0	0	0	0
\$172.....	\$176.....	22.80	14.00	5.70	0	0	0	0	0	0	0	0
\$176.....	\$180.....	23.40	14.60	6.30	0	0	0	0	0	0	0	0
\$180.....	\$184.....	24.00	15.20	6.80	0	0	0	0	0	0	0	0
\$184.....	\$188.....	24.60	15.80	7.40	0	0	0	0	0	0	0	0
\$188.....	\$192.....	25.20	16.40	7.90	0	0	0	0	0	0	0	0
\$192.....	\$196.....	25.80	17.00	8.50	.30	0	0	0	0	0	0	0
\$196.....	\$200.....	26.40	17.60	9.10	.90	0	0	0	0	0	0	0
\$200.....	\$204.....	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0
\$204.....	\$208.....	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0
\$208.....	\$212.....	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0
\$212.....	\$216.....	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0
\$216.....	\$220.....	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0
\$220.....	\$224.....	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0
\$224.....	\$228.....	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0
\$228.....	\$232.....	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0
\$232.....	\$236.....	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0
\$236.....	\$240.....	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0
\$240.....	\$248.....	33.30	24.50	15.80	7.30	0	0	0	0	0	0	0
\$248.....	\$256.....	34.50	25.70	17.00	8.40	.30	0	0	0	0	0	0
\$256.....	\$264.....	35.70	26.90	18.20	9.60	1.40	0	0	0	0	0	0
\$264.....	\$272.....	36.90	28.10	19.40	10.70	2.50	0	0	0	0	0	0
\$272.....	\$280.....	38.10	29.30	20.60	11.80	3.60	0	0	0	0	0	0
\$280.....	\$288.....	39.30	30.50	21.80	13.00	4.80	0	0	0	0	0	0
\$288.....	\$296.....	40.50	31.70	23.00	14.20	5.90	0	0	0	0	0	0
\$296.....	\$304.....	41.70	32.90	24.20	15.40	7.00	0	0	0	0	0	0
\$304.....	\$312.....	42.90	34.10	25.40	16.60	8.10	0	0	0	0	0	0
\$312.....	\$320.....	44.10	35.30	26.60	17.80	9.20	1.10	0	0	0	0	0
\$320.....	\$328.....	45.30	36.50	27.80	19.00	10.40	2.20	0	0	0	0	0

“If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$328	\$336	\$46.50	\$37.70	\$29.00	\$20.20	\$11.50	\$3.30	\$0	\$0	\$0	\$0	\$0
\$336	\$344	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0
\$344	\$352	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0
\$352	\$360	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0
\$360	\$368	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0
\$368	\$376	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0
\$376	\$384	53.90	44.90	36.20	27.40	18.70	10.00	1.90	0	0	0	0
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	261.30	249.70	238.00	226.30	214.70
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	271.10	257.70	246.00	234.30	222.70
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	281.10	266.50	254.00	242.30	230.70
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	291.10	276.50	262.00	250.30	238.70
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	301.10	286.50	271.90	258.30	246.70
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	311.10	296.50	281.90	267.30	254.70
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	321.10	306.50	291.90	277.30	262.80
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	331.10	316.50	301.90	287.30	272.80
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	326.50	311.90	297.30	282.80
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	336.50	321.90	307.30	292.80
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	346.50	331.90	317.30	302.80
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	357.40	341.90	327.30	312.80
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.40	351.90	337.30	322.80
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	363.90	347.30	332.80
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	375.90	358.40	342.80
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	352.90
30 percent of the excess over \$2,440 plus—												
\$2,440 and over—		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0.....	\$0.75.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75.....	\$1.00.....	.05	0	0	0	0	0	0	0	0	0	0
\$1.00.....	\$1.25.....	.10	0	0	0	0	0	0	0	0	0	0
\$1.25.....	\$1.50.....	.10	0	0	0	0	0	0	0	0	0	0
\$1.50.....	\$1.75.....	.15	0	0	0	0	0	0	0	0	0	0
\$1.75.....	\$2.00.....	.20	0	0	0	0	0	0	0	0	0	0
\$2.00.....	\$2.25.....	.20	0	0	0	0	0	0	0	0	0	0
\$2.25.....	\$2.50.....	.25	0	0	0	0	0	0	0	0	0	0
\$2.50.....	\$2.75.....	.30	0	0	0	0	0	0	0	0	0	0
\$2.75.....	\$3.00.....	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00.....	\$3.25.....	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25.....	\$3.50.....	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50.....	\$3.75.....	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75.....	\$4.00.....	.50	.20	0	0	0	0	0	0	0	0	0
\$4.00.....	\$4.25.....	.55	.25	0	0	0	0	0	0	0	0	0
\$4.25.....	\$4.50.....	.60	.25	0	0	0	0	0	0	0	0	0
\$4.50.....	\$4.75.....	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75.....	\$5.00.....	.65	.35	.05	0	0	0	0	0	0	0	0
\$5.00.....	\$5.25.....	.70	.40	.10	0	0	0	0	0	0	0	0
\$5.25.....	\$5.50.....	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.50.....	\$5.75.....	.80	.45	.15	0	0	0	0	0	0	0	0
\$5.75.....	\$6.00.....	.85	.50	.20	0	0	0	0	0	0	0	0
\$6.00.....	\$6.25.....	.90	.55	.25	0	0	0	0	0	0	0	0
\$6.25.....	\$6.50.....	.90	.60	.30	0	0	0	0	0	0	0	0
\$6.50.....	\$6.75.....	.95	.65	.30	.05	0	0	0	0	0	0	0
\$6.75.....	\$7.00.....	1.00	.70	.35	.10	0	0	0	0	0	0	0
\$7.00.....	\$7.25.....	1.05	.70	.40	.10	0	0	0	0	0	0	0
\$7.25.....	\$7.50.....	1.10	.75	.45	.15	0	0	0	0	0	0	0
\$7.50.....	\$7.75.....	1.15	.80	.50	.20	0	0	0	0	0	0	0
\$7.75.....	\$8.00.....	1.20	.85	.55	.20	0	0	0	0	0	0	0
\$8.00.....	\$8.25.....	1.20	.90	.55	.25	0	0	0	0	0	0	0
\$8.25.....	\$8.50.....	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$8.50.....	\$8.75.....	1.30	1.00	.65	.35	.05	0	0	0	0	0	0
\$8.75.....	\$9.00.....	1.35	1.00	.70	.35	.10	0	0	0	0	0	0
\$9.00.....	\$9.25.....	1.40	1.05	.75	.40	.15	0	0	0	0	0	0
\$9.25.....	\$9.50.....	1.45	1.10	.80	.45	.15	0	0	0	0	0	0
\$9.50.....	\$9.75.....	1.45	1.15	.80	.50	.20	0	0	0	0	0	0
\$9.75.....	\$10.00.....	1.50	1.20	.85	.55	.25	0	0	0	0	0	0
\$10.00.....	\$10.50.....	1.60	1.25	.95	.60	.30	0	0	0	0	0	0
\$10.50.....	\$11.00.....	1.65	1.35	1.00	.70	.35	.10	0	0	0	0	0
\$11.00.....	\$11.50.....	1.75	1.40	1.10	.75	.45	.15	0	0	0	0	0
\$11.50.....	\$12.00.....	1.85	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$12.00.....	\$12.50.....	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0	0
\$12.50.....	\$13.00.....	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0	0
\$13.00.....	\$13.50.....	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0	0
\$13.50.....	\$14.00.....	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$14.00.....	\$14.50.....	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0	0
\$14.50.....	\$15.00.....	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$15.00.....	\$15.50.....	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0	0
\$15.50.....	\$16.00.....	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0	0
\$16.00.....	\$16.50.....	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0	0
\$16.50.....	\$17.00.....	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0	0
\$17.00.....	\$17.50.....	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0	0
\$17.50.....	\$18.00.....	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0	0
\$18.00.....	\$18.50.....	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05	0
\$18.50.....	\$19.00.....	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15	0
\$19.00.....	\$19.50.....	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20	0
\$19.50.....	\$20.00.....	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30	0
\$20.00.....	\$21.00.....	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40	.10
\$21.00.....	\$22.00.....	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25
\$22.00.....	\$23.00.....	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40
\$23.00.....	\$24.00.....	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55
\$24.00.....	\$25.00.....	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75
\$25.00.....	\$26.00.....	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90
\$26.00.....	\$27.00.....	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40	1.10

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$27.00---	\$28.00---	\$5.15	\$4.65	\$4.20	\$3.85	\$3.45	\$3.05	\$2.70	\$2.30	\$1.90	\$1.60	\$1.25
\$28.00---	\$29.00---	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75	1.40
\$29.00---	\$30.00---	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00---	\$31.00---	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00---	\$32.00---	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00---	\$33.00---	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00---	\$34.00---	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00---	\$35.00---	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00---	\$36.00---	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00---	\$37.00---	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30	2.95
\$37.00---	\$38.00---	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50	3.15
\$38.00---	\$39.00---	8.30	7.75	7.15	6.60	6.00	5.50	5.00	4.55	4.10	3.70	3.35
\$39.00---	\$40.00---	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00---	\$41.00---	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00---	\$42.00---	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00---	\$43.00---	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00---	\$44.00---	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00---	\$45.00---	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00---	\$46.00---	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00---	\$47.00---	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00---	\$48.00---	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00---	\$49.00---	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00---	\$50.00---	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
		30 percent of the excess over \$50 plus—										
\$50 and over----		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.00

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0-----	\$0.75--	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75-----	\$1.00--	.05	0	0	0	0	0	0	0	0	0	0
\$1.00-----	\$1.25--	.10	0	0	0	0	0	0	0	0	0	0
\$1.25-----	\$1.50--	.10	0	0	0	0	0	0	0	0	0	0
\$1.50-----	\$1.75--	.15	0	0	0	0	0	0	0	0	0	0
\$1.75-----	\$2.00--	.20	0	0	0	0	0	0	0	0	0	0
\$2.00-----	\$2.25--	.20	0	0	0	0	0	0	0	0	0	0
\$2.25-----	\$2.50--	.25	0	0	0	0	0	0	0	0	0	0
\$2.50-----	\$2.75--	.30	0	0	0	0	0	0	0	0	0	0
\$2.75-----	\$3.00--	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00-----	\$3.25--	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25-----	\$3.50--	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50-----	\$3.75--	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75-----	\$4.00--	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00-----	\$4.25--	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25-----	\$4.50--	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50-----	\$4.75--	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75-----	\$5.00--	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00-----	\$5.25--	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25-----	\$5.50--	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50-----	\$5.75--	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75-----	\$6.00--	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00-----	\$6.25--	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25-----	\$6.50--	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50-----	\$6.75--	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75-----	\$7.00--	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00-----	\$7.25--	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25-----	\$7.50--	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50-----	\$7.75--	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75-----	\$8.00--	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00-----	\$8.25--	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25-----	\$8.50--	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50-----	\$8.75--	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75-----	\$9.00--	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00-----	\$9.25--	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25-----	\$9.50--	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50-----	\$9.75--	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75-----	\$10.00--	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00-----	\$10.50--	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50-----	\$11.00--	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00-----	\$11.50--	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50-----	\$12.00--	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00-----	\$12.50--	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50-----	\$13.00--	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00-----	\$13.50--	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50-----	\$14.00--	2.00	1.65	1.40	1.10	.80	.60	.25	0	0	0	0
\$14.00-----	\$14.50--	2.05	1.75	1.45	1.15	.90	.60	.30	.05	0	0	0
\$14.50-----	\$15.00--	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00-----	\$15.50--	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50-----	\$16.00--	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00-----	\$16.50--	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50-----	\$17.00--	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00-----	\$17.50--	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50-----	\$18.00--	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00-----	\$18.50--	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50-----	\$19.00--	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00-----	\$19.50--	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50-----	\$20.00--	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00-----	\$21.00--	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00-----	\$22.00--	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00-----	\$23.00--	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00-----	\$24.00--	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00-----	\$25.00--	3.85	3.50	3.15	2.85	2.60	2.20	1.85	1.55	1.25	1.00	.70

“If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$25.00---	\$26.00---	\$4.05	\$3.65	\$3.35	\$3.00	\$2.70	\$2.35	\$2.05	\$1.70	\$1.40	\$1.15	\$.85
\$26.00---	\$27.00---	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00---	\$28.00---	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00---	\$29.00---	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00---	\$30.00---	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00---	\$31.00---	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00---	\$32.00---	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00---	\$33.00---	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00---	\$34.00---	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00---	\$35.00---	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00---	\$36.00---	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00---	\$37.00---	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00---	\$38.00---	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00---	\$39.00---	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00---	\$40.00---	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00---	\$41.00---	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00---	\$42.00---	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00---	\$43.00---	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00---	\$44.00---	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00---	\$45.00---	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00---	\$46.00---	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00---	\$47.00---	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00---	\$48.00---	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00---	\$49.00---	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00---	\$50.00---	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00---	\$51.00---	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00---	\$52.00---	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00---	\$53.00---	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00---	\$54.00---	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00---	\$55.00---	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00---	\$56.00---	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00---	\$57.00---	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00---	\$58.00---	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00---	\$59.00---	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00---	\$60.00---	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00---	\$61.00---	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00---	\$62.00---	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00---	\$63.00---	12.25	11.65	11.15	10.70	10.20	9.75	9.25	8.75	8.35	7.95	7.60
\$63.00---	\$64.00---	12.55	11.95	11.40	10.95	10.45	10.00	9.50	9.00	8.55	8.15	7.80
\$64.00---	\$65.00---	12.85	12.25	11.70	11.20	10.70	10.25	9.75	9.25	8.80	8.35	8.00
\$65.00---	\$66.00---	13.15	12.55	12.00	11.45	10.95	10.50	10.00	9.50	9.05	8.55	8.20
\$66.00---	\$67.00---	13.45	12.85	12.30	11.70	11.20	10.75	10.25	9.75	9.30	8.80	8.40
\$67.00---	\$68.00---	13.75	13.15	12.60	12.00	11.45	11.00	10.50	10.00	9.55	9.05	8.60
\$68.00---	\$69.00---	14.05	13.45	12.90	12.30	11.75	11.25	10.75	10.25	9.80	9.30	8.85
\$69.00---	\$70.00---	14.35	13.75	13.20	12.60	12.05	11.50	11.00	10.50	10.05	9.55	9.10
\$70.00---	\$71.00---	14.65	14.05	13.50	12.90	12.35	11.75	11.25	10.75	10.30	9.80	9.35
\$71.00---	\$72.00---	14.95	14.35	13.80	13.20	12.65	12.05	11.50	11.00	10.55	10.05	9.60
\$72.00---	\$73.00---	15.25	14.65	14.10	13.50	12.95	12.35	11.80	11.25	10.80	10.30	9.85
\$73.00---	\$74.00---	15.55	14.95	14.40	13.80	13.25	12.65	12.10	11.50	11.05	10.55	10.10
\$74.00---	\$75.00---	15.85	15.25	14.70	14.10	13.55	12.95	12.40	11.80	11.30	10.80	10.35
\$75.00---	\$76.00---	16.15	15.55	15.00	14.40	13.85	13.25	12.70	12.10	11.55	11.05	10.60
\$76.00---	\$77.00---	16.45	15.85	15.30	14.70	14.15	13.55	13.00	12.40	11.85	11.30	10.85
\$77.00---	\$78.00---	16.75	16.15	15.60	15.00	14.45	13.85	13.30	12.70	12.15	11.55	11.10
\$78.00---	\$79.00---	17.05	16.45	15.90	15.30	14.75	14.15	13.60	13.00	12.45	11.85	11.35
\$79.00---	\$80.00---	17.35	16.75	16.20	15.60	15.05	14.45	13.90	13.30	12.75	12.15	11.60
30 percent of the excess over \$80 plus—												
\$80 and over-----		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

1 (d) DISCLOSURE OF MARITAL STATUS; DETERMINA-
2 TION OF MARITAL STATUS; TREATMENT OF SURVIVING
3 SPOUSE.—Section 3402 (relating to income tax collected at
4 source) is amended by adding at the end thereof the follow-
5 ing new subsection:

6 “(1) DETERMINATION AND DISCLOSURE OF MARITAL
7 STATUS.—

8 “(1) DETERMINATION OF STATUS BY EM-
9 PLOYER.—For purposes of applying the tables in sub-
10 sections (a) and (c) to a payment of wages, the em-
11 ployer shall treat the employee as a single person unless
12 there is in effect with respect to such payment of wages
13 a withholding exemption certificate furnished to the em-
14 ployer by the employee after the date of the enactment
15 of this subsection indicating that the employee is
16 married.

17 “(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An
18 employee shall be entitled to furnish the employer with
19 a withholding exemption certificate indicating he is mar-
20 ried only if, on the day of such furnishing, he is married
21 (determined with the application of the rules in para-

1 graph (3)). An employee whose marital status
 2 changes from married to single shall, at such time as the
 3 Secretary or his delegate may by regulations prescribe,
 4 furnish the employer with a new withholding exemption
 5 certificate.

6 “(3) DETERMINATION OF MARITAL STATUS.—For
 7 purposes of paragraph (2), an employee shall on any
 8 day be considered—

9 “(A) as not married, if (i) he is legally
 10 separated from his spouse under a decree of divorce
 11 or separate maintenance, or (ii) either he or his
 12 spouse is, or on any preceding day within the
 13 calendar year was, a nonresident alien; or

14 “(B) as married, if (i) his spouse (other than
 15 a spouse referred to in subparagraph (A)) died
 16 within the portion of his taxable year which pre-
 17 cedes such day, or (ii) his spouse died during one
 18 of the two taxable years immediately preceding
 19 the current taxable year and, on the basis of facts
 20 existing at the beginning of such day, the employee
 21 reasonably expects, at the close of his taxable year,
 22 to be a surviving spouse (as defined in section 2
 23 (b)).”

24 (e) WITHHOLDING ALLOWANCES FOR ITEMIZED DE-
 25 Ductions.—

(1) ALLOWANCE.—Section 3402 (f) (1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of —

“(A) his estimated itemized deductions, over

1 “(B) an amount equal to the sum of ~~(4)~~ 10
2 percent of the first \$7,500 of his estimated wages
3 and 17 percent of the remainder of his estimated
4 wages.

5 ~~(5)~~ If the number determined under the preceding sen-
6 tence is not a whole number, the fraction shall be disre-
7 garded; except that, if the number determined is one-
8 half or more but less than one, it shall be increased to
9 one. *For purposes of this subsection, fractional num-*
10 *bers shall not be taken into account.*

11 “(2) DEFINITIONS.—For purposes of this sub-
12 section—

13 “(A) ESTIMATED ITEMIZED DEDUCTIONS.—
14 The term ‘estimated itemized deductions’ means the
15 aggregate amount which he reasonably expects will
16 be allowable as deductions under chapter 1 (other
17 than the deductions referred to in sections 141 and
18 151 and other than the deductions required to be
19 taken into account in determining adjusted gross
20 income under section 62) for the estimation year.
21 In no case shall such aggregate amount be greater
22 than ~~(6)~~ (i) the amount of such deductions shown
23 on his return of tax under subtitle A for the taxable
24 year preceding the estimation ~~(7)~~ year, or (ii)
25 in the case of an employee who did not show such

deductions on his return for such preceding taxable year, an amount equal to the lesser of \$1,000 or 10 percent of the wages shown on his return for such preceding taxable year.

“(B) ESTIMATED WAGES.—The term ‘estimated wages’ means the aggregate amount which he reasonably expects will constitute wages for the estimation year. In no case shall such aggregate amount be less than the amount of wages shown on his return for the taxable year preceding the estimation year.

“(C) ESTIMATION YEAR.—In the case of an employee who files his return on the basis of a calendar year, the term ‘estimation year’ means—

“(i) with respect to payments of wages after April 30 and on or before December 31 of any calendar year, such calendar year, and

“(ii) with respect to payments of wages on or after January 1 and before May 1 of any calendar year, the preceding calendar year (8) (or, if the employee has filed a return for the preceding calendar year, and if he has in effect a withholding allowance under this subsection based on using the current calendar year as

1 the estimation year, such current calendar
2 ~~year~~ (except that with respect to an exemption
3 certificate furnished by an employee after he has
4 filed his return for the preceding calendar year,
5 such term means the current calendar year).

6 In the case of an employee who files his return on
7 a basis other than the calendar year, his estimation
8 year, and the amounts deducted and withheld to be
9 governed by such estimation year, shall be deter-
10 mined under regulations prescribed by the Secretary
11 or his delegate.

12 “(3) SPECIAL RULES.—

13 “(A) MARRIED INDIVIDUALS.—The number of
14 withholding allowances to which a husband and
15 wife are entitled under this subsection shall be de-
16 termined on the basis of their combined wages and
17 deductions. This subparagraph shall not apply to a
18 husband and wife who filed separate returns for the
19 taxable year preceding the estimation year and who
20 reasonably expect to file separate returns for the
21 estimation year.

22 “(B) ONLY ONE CERTIFICATE TO BE IN
23 EFFECT.—In the case of any employee, withhold-
24 ing allowances under this subsection may not be

1 claimed with more than one employer at any one
2 time.

3 “(C) TERMINATION OF EFFECTIVENESS.—In
4 the case of an employee who files his return on the
5 basis of a calendar year, that portion of a withhold-
6 ing exemption certificate which relates to allow-
7 ances under this subsection shall not be effective
8 with respect to payments of wages after the first
9 April 30 following the close of the estimation year
10 on which it is based.

11 ~~“(9)“(D) LIMITATION.—The Secretary or his~~
12 ~~delegate may by regulations provide that one or~~
13 ~~more of the withholding allowances to which an~~
14 ~~employee would, but for this subparagraph, be en-~~
15 ~~titled under this subsection shall be denied because~~
16 ~~such employee’s estimated wages are above the~~
17 ~~level at which the amounts deducted and withheld~~
18 ~~under this chapter are generally sufficient to offset~~
19 ~~the liability for tax under chapter 1 with respect~~
20 ~~to the wages from which such amounts are deducted~~
21 ~~and withheld.~~

22 “(D) LIMITATION.—In the case of employees
23 whose estimated wages are at levels at which the
24 amounts deducted and withheld under this chapter

generally are insufficient (taking into account a reasonable allowance for deductions and exemptions) to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, the Secretary or his delegate may by regulation reduce the withholding allowances to which such employees would, but for this subparagraph, be entitled under this subsection.

(10)“(E) AUTHORITY TO PRESCRIBE TABLES.—

The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of allowances to which they are entitled under this subsection. —Such tables may be based on reasonable wage and itemized deduction brackets.

“(11)(F) (E) TREATMENT OF ALLOWANCES.—For purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding **(12)exemption.**” exemption.

(13)“(4) AUTHORITY TO PRESCRIBE TABLES.—The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of withholding allowances to which they are entitled under this subsection (in lieu of making such determination under

paragraphs (1) and (3)). Such tables shall be consistent with the provisions of paragraphs (1) and (3), except that such tables—

“(A) shall provide for entitlement to withholding allowances based on reasonable wage and itemized deduction brackets, and

“(B) may increase or decrease the number of withholding allowances to which employees in the various wage and itemized deduction brackets would, but for this subparagraph, be entitled to the end that, to the extent practicable, amounts deducted and withheld under this chapter (i) generally do not exceed the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, and (ii) generally are sufficient to offset such liability for tax.”

(3) STATUS DETERMINATION DATE.—The last sentence of section 3402 (f) (3) (B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) CIVIL PENALTY.—

(A) Subchapter B of chapter 68 (relating to

1 assessable penalties) is amended by adding at the
2 end thereof the following new section:

3 **“SEC. 6682. FALSE INFORMATION WITH RESPECT TO**
4 **WITHHOLDING ALLOWANCES BASED ON**
5 **ITEMIZED DEDUCTIONS.**

6 “(a) CIVIL PENALTY.—In addition to any criminal
7 penalty provided by law, if any individual in claiming a
8 withholding allowance under section 3402 (f) (1) (F) states
9 ~~(14)(1)~~ that the wages ~~(within the meaning of chapter 24)~~
10 shown on his return for any taxable year were less than
11 such wages actually shown, or ~~(2)~~ that the itemized deduc-
12 tions referred to in section 3402~~(m)~~ on the return for any
13 taxable year were greater than such deductions actually
14 shown, he shall pay a penalty of \$50 for each such state-
15 ment ~~(1)~~ as the amount of the wages ~~(within the meaning~~
16 ~~of chapter 24)~~ shown on his return for any taxable year
17 an amount less than such wages actually shown, or ~~(2)~~ as
18 the amount of the itemized deductions referred to in section
19 3402~~(m)~~ shown on the return for any taxable year an
20 amount greater than such deductions actually shown, he
21 shall pay a penalty of \$50 for such statement, unless (1)
22 such statement did not result in a decrease in the amounts
23 deducted and withheld under chapter 24, or (2) the taxes
24 imposed with respect to the individual under subtitle A
25 for the succeeding taxable year do not exceed the sum of

1 (A) the credits against such taxes allowed by part IV
 2 of subchapter A of chapter 1, and (B) the payments of
 3 estimated tax which are considered payments on account
 4 of such taxes.

5 “(b) DEFICIENCY PROCEDURES NOT TO APPLY.—
 6 Subchapter B of chapter 63 (relating to deficiency pro-
 7 cedures for income, estate, and gift taxes) shall not apply
 8 in respect of the assessment or collection of any penalty
 9 imposed by subsection (a).”

10 (B) The table of sections of such subchapter
 11 B is amended by adding at the end thereof the
 12 following:

“Sec. 6682. False information with respect to withholding
 allowances based on itemized deductions.”

13 (5) CRIMINAL PENALTY.—Section 7205 (relating
 14 to fraudulent withholding exemption certificate or fail-
 15 ure to supply information) is amended—

16 (A) by striking out “section 3402 (f)” and
 17 inserting in lieu thereof “section 3402”, and

18 (B) by striking out “any penalty otherwise
 19 provided” and inserting in lieu thereof “any other
 20 penalty provided by law (except the penalty pro-
 21 vided by section 6682)”.

22 (6) EFFECTIVE DATE.—The amendments made by
 23 paragraphs (1) and (2) of this subsection shall apply

1 only with respect to remuneration paid after Decem-
2 ber 31, 1966, but only with respect to withholding
3 exemptions based on estimation years beginning after
4 such date.

5 (f) **TRANSITIONAL DETERMINATION STATUS DATE.**—

6 Notwithstanding section 3402 (f) (3) (B) of the Internal
7 Revenue Code of 1954, a withholding exemption certificate
8 furnished the employer after the date of the enactment of
9 this Act and before May 1, 1966, shall take effect with
10 respect to the first payment of wages made on or after
11 May 1, 1966, or the 10th day after the date on which such
12 certificate is furnished to the employer, whichever is later,
13 and at the election of the employer such certificate may
14 be made effective with respect to any payment of wages
15 made on or after the date on which such certificate is
16 furnished.

17 (g) **EFFECTIVE DATE.**—The amendments made by
18 this section (other than subsection (e)) shall apply only
19 with respect to remuneration paid after April 30, 1966.

20 **SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.**

21 (a) **INCLUSION OF SELF-EMPLOYMENT TAX IN ESTI-**
22 **MATED TAX.**—Section 6015 (c) (relating to definition of

1 estimated tax in the case of an individual) is amended to
2 read as follows:

3 “(c) ESTIMATED TAX.—For purposes of this title, in
4 the case of an individual, the term ‘estimated tax’ means—

5 “(1) the amount which the individual estimates as
6 the amount of the income tax imposed by chapter 1
7 for the taxable year, plus

8 “(2) the amount which the individual estimates
9 as the amount of the self-employment tax imposed by
10 chapter 2 for the taxable year, minus

11 “(3) the amount which the individual estimates
12 as the sum of any credits against tax provided by
13 part IV of subchapter A of chapter 1.”

14 (b) ADDITION TO TAX FOR UNDERPAYMENT OF
15 ESTIMATED TAX.—

16 (1) Section 6654 (a) (relating to addition to the
17 tax for underpayment of estimated tax by an individual)
18 is amended by inserting after “chapter 1” the following:
19 “and the tax under chapter 2”.

20 (2) Section 6654 (d) is amended to read as
21 follows:

22 “(d) EXCEPTION.—Notwithstanding the provisions of

1 the preceding subsections, the addition to the tax with re-
2 spect to any underpayment of any installment shall not be
3 imposed if the total amount of all payments of estimated tax
4 made on or before the last date prescribed for the payment
5 of such installment equals or exceeds the amount which
6 would have been required to be paid on or before such date
7 if the estimated tax were whichever of the following is the
8 least—

9 “(1) The tax shown on the return of the individual
10 for the preceding taxable year, if a return showing a
11 liability for tax was filed by the individual for the pre-
12 ceding taxable year and such preceding year was a
13 taxable year of 12 months.

14 “(2) An amount equal to 70 percent ($66\frac{2}{3}$ percent
15 in the case of individuals referred to in section 6073 (b),
16 relating to income from farming or fishing) of the tax
17 for the taxable year computed by placing on an annual-
18 ized basis the taxable income for the months in the
19 taxable year ending before the month in which the
20 installment is required to be paid and by taking into
21 account the adjusted self-employment income (if the
22 net earnings from self-employment (as defined in sec-
23 tion 1402 (a)) for the taxable year equal or exceed
24 \$400). For purposes of this paragraph—

1 “(A) The taxable income shall be placed on
2 an annualized basis by—

3 “(i) multiplying by 12 (or, in the case
4 of a taxable year of less than 12 months, the
5 number of months in the taxable year) the tax-
6 able income (computed without deduction of
7 personal exemptions) for the months in the tax-
8 able year ending before the month in which the
9 installment is required to be paid,

10 “(ii) dividing the resulting amount by the
11 number of months in the taxable year ending
12 before the month in which such installment date
13 falls, and

14 “(iii) deducting from such amount the de-
15 ductions for personal exemptions allowable for
16 the taxable year (such personal exemptions
17 being determined as of the last date prescribed
18 for payment of the installment).

19 “(B) The term ‘adjusted self-employment in-
20 come’ means—

21 “(i) the net earnings from self-employ-
22 ment (as defined in section 1402 (a)) for the
23 months in the taxable year ending before the

1 month in which the installment is required to
2 be paid, but not more than

3 “(ii) the excess of \$6,600 over the amount
4 determined by placing the wages (within the
5 meaning of section 1402 (b)) for the months in
6 the taxable year ending before the month in
7 which the installment is required to be paid on
8 an annualized basis in a manner consistent with
9 clauses (i) and (ii) of subparagraph (A).

10 “(3) An amount equal to 90 percent of the tax
11 computed, at the rates applicable to the taxable year,
12 on the basis of the actual taxable income and the actual
13 self-employment income for the months in the taxable
14 year ending before the month in which the installment
15 is required to be paid as if such months constituted the
16 taxable year.

17 “(4) An amount equal to the tax computed, at the
18 rates applicable to the taxable year, on the basis of the
19 taxpayer’s status with respect to personal exemptions
20 under section 151 for the taxable year, but otherwise on
21 the basis of the facts shown on his return for, and the
22 law applicable to, the preceding taxable year.”

23 (3) Section 6654 (f) (relating to definition of tax

for purposes of subsections (b) and (d) of section 6654)
is amended to read as follows:

“(f) TAX COMPUTED AFTER APPLICATION OF
CREDITS AGAINST TAX.—For purposes of subsections (b)
and (d), the term ‘tax’ means—

“(1) the tax imposed by this chapter 1, plus

“(2) the tax imposed by chapter 2, minus

“(3) the credits against tax allowed by part IV
of subchapter A of chapter 1, other than the credit
against tax provided by section 31 (relating to tax
withheld on wages).”

(15)~~(4)~~ *Section 6.211(b)(1) (relating to definition of a
deficiency) is amended by striking out “chapter 1” and
inserting in lieu thereof “subtitle A”.*

(16)~~(4)~~~~(5)~~ Section 7701 (a) (relating to definitions)
is amended by adding at the end thereof the following
new paragraph:

“(34) ESTIMATED INCOME TAX.—The term ‘esti-
mated income tax’ means—

“(A) in the case of an individual, the esti-
mated tax as defined in section 6015 (c), or

“(B) in the case of a corporation, the esti-
mated tax as defined in section 6016 (b).”

1 ~~(17) (5) (6)~~ Section 1403 (b) (cross references) is
 2 amended by adding at the end thereof the following new
 3 paragraph:

“(3) For provisions relating to declarations of estimated tax on self-employment income, see section 6015.”

4 (c) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND
 5 CHRISTIAN SCIENCE PRACTITIONERS.—Section 1402 (e)
 6 (3) (relating to effective date of waiver certificates) is
 7 amended by adding at the end thereof the following new
 8 subparagraph:

9 “(E) For purposes of sections 6015 and 6654,
 10 a waiver certificate described in paragraph (1)
 11 shall be treated as taking effect on the first day of
 12 the first taxable year beginning after the date on
 13 which such certificate is filed.”

14 (d) EFFECTIVE DATE.—The amendments made by sub-
 15 sections (a), (b), and (c) shall apply with respect to tax-
 16 able years beginning after December 31, 1966.

17 **SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTI-**
 18 **MATED INCOME TAX IN CASE OF INDIVID-**
 19 **UALS.**

20 (a) IN GENERAL.—Section 6654 (b) (relating to
 21 amount of underpayment), and section 6654 (d) (relating
 22 to exception) as amended by section 102 (b) (2) of this

1 Act, are amended by striking out “70 percent” each place
2 it appears and inserting in lieu thereof “80 percent”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 subsection (a) shall apply with respect to taxable years
5 beginning after December 31, 1966.

6 **SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED IN-**
7 **COME TAX BY CORPORATIONS.**

8 (a) IN GENERAL.—Subsection (a) of section 6154
9 (relating to installment payments of estimated income tax
10 by corporations) is amended to read as follows:

11 “(a) AMOUNT AND TIME FOR PAYMENT OF EACH
12 INSTALLMENT.—The amount of estimated tax (as defined
13 in section 6016(b)) with respect to which a declaration
14 is required under section 6016 shall be paid as follows:

15 “(1) TAXABLE YEARS BEGINNING IN 1966.—

16 With respect to taxable years beginning after Decem-
17 ber 31, 1965, and before January 1, 1967, such esti-
18 mated tax shall be paid in installments in accordance
19 with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month)		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month)			37	37
12th month of the taxable year (but after the 15th day of the 9th month)				74

1 “(2) TAXABLE YEARS BEGINNING AFTER 1966.—
2 With respect to taxable years beginning after December
3 31, 1966, such estimated tax shall be paid in install-
4 ments in accordance with the following table:

“If the declaration is timely filed on or before the 15th day of the—	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33½	33½	33½
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

5 “(3) TIMELY FILING.—A declaration is timely
6 filed for the purposes of paragraphs (1) and (2) if it is
7 not required by section 6074 (a) to be filed on a date
8 (determined without regard to any extension of time
9 for filing the declaration under section 6081) before
10 the date it is actually filed.

11 “(4) LATE FILING.—If the declaration is filed after
12 the time prescribed in section 6074 (a) (determined
13 without regard to any extension of time for filing the
14 declaration under section 6081), there shall be paid at
15 the time of such filing all installments of estimated tax
16 which would have been payable on or before such time
17 if the declaration had been filed within the time pre-
18 scribed in section 6074 (a), and the remaining install-

ments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1965.

(18) SEC. 105. OPTION OF INDIVIDUALS TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS.

(a) **IN GENERAL.**—Part I of subchapter A of chapter 1 (relating to tax on individuals) is amended by renumbering section 5 as 6, and by inserting after section 4 the following new section:

“SEC. 5. OPTION TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS.

“(a) **BALANCES DUE OF \$5 OR LESS.**—Under regulations prescribed by the Secretary or his delegate, if the amount shown on the return of an individual as the tax imposed by this subtitle for the taxable year exceeds by \$5 or less the sum shown on the return of—

“(1) the credits against tax allowed by part IV of this subchapter, and

1 “(2) the amount of estimated income tax paid with
2 respect to the taxable year,

3 the taxpayer may elect to disregard the amount of such excess.

4 “(b) *OVERPAYMENTS OF \$5 OR LESS.*—Under regula-
5 tions prescribed by the Secretary or his delegate, if the sum
6 shown on the return of an individual of—

7 “(1) the credits against tax allowed by part IV of
8 this subchapter, and

9 “(2) the amount of estimated income tax paid with
10 respect to the taxable year,

11 exceeds by \$5 or less the amount shown on the return as the
12 tax imposed by this subtitle for the taxable year, the taxpayer
13 may elect to disregard the amount of such excess.

14 “(c) *ELECTION.*—An election under subsection (a) or
15 (b) shall be made for each taxable year—

16 “(1) at the time of filing the return for the taxable
17 year, and

18 “(2) in such manner as the Secretary or his dele-
19 gate shall prescribe.”

20 (b) *CLERICAL AMENDMENT.*—The table of sections for
21 part I of subchapter A of chapter 1 is amended by striking
22 out the last item and inserting in lieu thereof the following:

“Sec. 5. Option to disregard balances due and overpayments
of \$5 or less.

“Sec. 6. Cross references relating to tax on individuals.”

1 (c) *EFFECTIVE DATE.*—*The amendments made by*
 2 *subsections (a) and (b) shall apply to taxable years begin-*
 3 *ning after December 31, 1966.*

4 **TITLE II—POSTPONEMENT OF CERTAIN EXCISE**
 5 **TAX RATE REDUCTIONS**

6 **SEC. 201. PASSENGER AUTOMOBILES.**

7 (a) *POSTPONEMENT OF RATE REDUCTIONS.*—Sub-
 8 paragraph (A) of section 4061 (a) (2) (relating to im-
 9 position of tax) is amended to read as follows:

10 “(A) Articles enumerated in subparagraph (B)
 11 are taxable at whichever of the following rates is
 12 applicable:

13 “7 percent for the period beginning with the day
 14 after the date of the enactment of the Tax
 15 Adjustment Act of 1966 through March 31,
 16 1968.

17 “2 percent for the period April 1, 1968, through
 18 December 31, 1968.

19 “1 percent for the period after December 31, 1968.”

20 ~~(19)(b) FLOOR STOCKS TAX.~~—Section 4226 (relating to
 21 floor stocks taxes) is amended—

22 ~~(1)~~ By adding at the end of subsection (a) the
 23 following new paragraph:

1 “~~(8)~~ 1966 TAX ON AUTOMOBILES.—On any arti-
 2 cle subject to tax under section 4061-~~(a)~~ ~~(2)~~ which on
 3 the day after the date of the enactment of the Tax
 4 Adjustment Act of 1966 is held by a dealer and has not
 5 been used and is intended for sale, there is imposed a
 6 floor stocks tax at the rate of 1 percent of the price for
 7 which the article was sold by the manufacturer, pro-
 8 ducer, or importer. Under regulations prescribed by the
 9 Secretary or his delegate, the tax imposed under this
 10 paragraph shall be paid by such dealer and shall be col-
 11 lected from him by the manufacturer, producer, or im-
 12 porter.”

13 ~~(2)~~ By amending subsection ~~(d)~~—

14 ~~(A)~~ by striking out “and except” and insert-
 15 ing in lieu thereof “except”, and

16 ~~(B)~~ by striking out “delegate.” and inserting
 17 in lieu thereof “delegate, and except that the tax
 18 imposed by paragraph ~~(8)~~ shall be paid at such
 19 time after 60 days after the date of enactment of
 20 the Tax Adjustment Act of 1966 as may be pre-
 21 scribed by the Secretary or his delegate.”

22 ~~(20)~~~~(c)~~ CONFORMING AMENDMENTS.—

23 ~~(1)~~ Section 6412-~~(a)~~ ~~(1)~~ ~~(relating to floor stocks~~

refunds on passenger automobiles, etc.) is amended by striking out “January 1, 1966, 1967, 1968, or 1969,” and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969,”.

~~(2)~~ Section 209(c)(1)(G) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended by striking out “section 4226(a)” and inserting in lieu thereof “section 4226(a) (other than paragraph (8) thereof)”.

(b) *CONFORMING AMENDMENT.*—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out “January 1, 1966, 1967, 1968, or 1969,” and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969,”.

(21)~~(d)~~(c) *EFFECTIVE DATE.*—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(22)(a) *POSTPONEMENT OF RATE REDUCTIONS.*—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a)(2) and inserting in lieu thereof:

1 “(2) The rate of tax referred to in paragraph (1)
2 is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“Before April 1, 1968-----	10
“After March 31, 1968, and before January 1, 1969-----	1”

3 ~~(2)~~ By striking out subsection ~~(c)~~ and inserting
4 in lieu thereof:

5 ~~“(c) SPECIAL RULE.—~~For purposes of subsection ~~(a)~~,
6 in the case of communications services rendered before Feb-
7 ruary 1, 1968, for which a bill has not been rendered before
8 April 1, 1968, a bill shall be treated as having been first
9 rendered on March 31, 1968. For purposes of subsections
10 ~~(a)~~ and ~~(b)~~, in the case of communications services ren-
11 dered after January 31, 1968, and before November 1,
12 1968, for which a bill has not been rendered before Jan-
13 uary 1, 1969, a bill shall be treated as having been first
14 rendered on December 31, 1968.”

15 (a) *POSTPONEMENT OF CERTAIN RATE REDUC-*
16 *TIONS.—Section 4251 (relating to tax on communications)*
17 *is amended—*

18 (1) *By striking out subsection (a) and inserting in*
19 *lieu thereof the following:*

20 “(a) *IN GENERAL.—*

21 “(1) *Except as provided in subsection (b), there*
22 *is hereby imposed on amounts paid for—*

“(A) local residential telephone service, a tax equal to the percent of the amount so paid specified in paragraph (2)(A), and

“(B) local telephone service, toll telephone service, and teletypewriter exchange service, a tax equal to the percent of the amount so paid specified in paragraph (2)(B).

The taxes imposed by this section shall be paid by the person paying for the services.

“(2)(A) The rate of tax referred to in paragraph (1)(A) is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“During 1966-----	3
“During 1967-----	2
“During 1968-----	1

“(B) The rate of tax referred to in paragraph (1)(B) is as follows:

“Amounts paid pursuant to bills first rendered—	Percent—
“Before April 1, 1968-----	10
“After March 31, 1968, and before January 1, 1969-----	1”

(2) By inserting at the end of subsection (c) the following new sentence: “For purposes of paragraphs (1)(B) and (2)(B) of subsection (a), in the case of communication services rendered before February 1, 1968, for which a bill has not been rendered before

1 *April 1, 1968, a bill shall be treated as having been*
 2 *first rendered on March 31, 1968.”*

3 ***(b) LOCAL RESIDENTIAL TELEPHONE SERVICE.—***
 4 *Section 4252 (relating to definitions for purposes of the*
 5 *tax on communication services) is amended—*

6 *(1) by striking out the last sentence of subsection*
 7 *(a) and inserting in lieu thereof the following:*

8 *“The term ‘local telephone service’ does not include any*
 9 *service which is toll telephone service (as defined in subsec-*
 10 *tion (b)), private communication service (as defined in sub-*
 11 *section (d)), or local residential telephone service (as de-*
 12 *finied in subsection (e)).”; and*

13 *(2) by adding at the end thereof the following new*
 14 *subsection:*

15 ***“(e) LOCAL RESIDENTIAL TELEPHONE SERVICE.—***
 16 *For purposes of this subchapter, the term ‘local residential*
 17 *telephone service’ means (1) the communication service*
 18 *furnished to a subscriber which provides access to a local*
 19 *telephone system, and the privilege of telephonic quality com-*
 20 *munication with persons having telephone or radio telephone*
 21 *stations constituting a part of such local telephone system, if*
 22 *the telephone station which is furnished to the subscriber is*
 23 *located in a personal residence of the subscriber and is not*
 24 *used principally in the conduct of any trade or business, and*

1 (2) *any facility or service provided in connection with such*
 2 *communication service.*”

3 ~~(23)~~~~(b)~~ (c) NONPROFIT HOSPITALS.—Section 4253 (re-
 4 lating to exemptions from tax on communications) is
 5 amended by adding at the end thereof the following new
 6 subsection:

7 “(h) NONPROFIT HOSPITALS.—No tax shall be im-
 8 posed under section 4251 on any amount paid by a non-
 9 profit hospital for services furnished to such organization.
 10 For purposes of this subsection, the term ‘nonprofit hospital’
 11 means a hospital referred to in section 503 (b) (5) which is
 12 exempt from income tax under section 501 (a).”

13 ~~(24)~~~~(c)~~ (d) EFFECTIVE DATE.—The amendments made by
 14 ~~(25)~~subsections ~~(a)~~ and ~~(b)~~ *this section* shall apply to
 15 amounts paid pursuant to bills first rendered on or after ~~(26)~~
 16 ~~the first day of the first month which begins more than 15~~
 17 ~~days after the date on which this Act is enacted April 1,~~
 18 ~~1966,~~ for services rendered on or after ~~(27)~~~~such first day~~
 19 ~~such date.~~ In the case of amounts paid pursuant to bills ren-
 20 dered on or after ~~(28)~~~~such first day~~ *such date* for services
 21 which were rendered before ~~(29)~~~~such first day~~ *such date* and
 22 for which no previous bill was rendered, such amendments
 23 shall apply except with respect to such services as were
 24 rendered more than 2 months before ~~(30)~~~~such first day~~ *such*

1 *date.* In the case of services rendered more than 2 months
 2 before (31) ~~such first day~~ *such date*, the provisions of sub-
 3 chapter B of chapter 33 of the Code in effect at the time such
 4 services were rendered, subject to the provision of section
 5 701 (b) (2) of the Excise Tax Reduction Act of 1965, shall
 6 apply to the amounts paid for such services.

7 (32) *TITLE III—MISCELLANEOUS PROVISIONS*

8 (33) *SEC. 301. DISALLOWANCE OF DEDUCTION FOR CER-*
 9 *TAIN INDIRECT CONTRIBUTIONS TO PO-*
 10 *LITICAL PARTIES.*

11 (a) *DISALLOWANCE.*—Part IX of subchapter B of
 12 chapter 1 (relating to items not deductible) is amended by
 13 adding at the end thereof the following new section:

14 “*SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO PO-*
 15 *LITICAL PARTIES.*

16 “(a) *DISALLOWANCE OF DEDUCTION.*—No deduc-
 17 tion otherwise allowable under this chapter shall be allowed
 18 for any amount paid or incurred for—

19 “(1) *advertising in a convention program of a po-*
 20 *litical party, or in any other publication if any part of*
 21 *the proceeds of such publication directly or indirectly*
 22 *inures (or is intended to inure) to or for the use of a*
 23 *political party or a political candidate,*

24 “(2) *admission to any dinner or program, if any*
 25 *part of the proceeds of such dinner or program directly*

1 *or indirectly inures (or is intended to inure) to or for*
 2 *the use of a political party or a political candidate, or*

3 “(3) admission to an inaugural ball, inaugural
 4 *gala, inaugural parade, or inaugural concert, or to any*
 5 *similar event which is identified with a political party or*
 6 *a political candidate.*

7 “(b) DEFINITIONS.—For purposes of this section—

8 “(1) POLITICAL PARTY.—The term ‘political
 9 *party’ means—*

10 “(A) a political party;

11 “(B) a National, State, or local committee of
 12 *a political party; or*

13 “(C) a committee, association, or organization,
 14 *whether incorporated or not, which directly or in-*
 15 *directly accepts contributions (as defined in section*
 16 *271(b)(2) or make expenditures (as defined in section*
 17 *271(b)(3)) for the purpose of influencing or at-*
 18 *tempting to influence the selection, nomination, or*
 19 *election of any individual to any Federal, State,*
 20 *or local elective public office, or the election of presi-*
 21 *dential and vice-presidential electors, whether or not*
 22 *such individual or electors are selected, nominated,*
 23 *or elected.*

24 “(2) PROCEEDS INURING TO OR FOR THE USE
 25 *OF POLITICAL CANDIDATES.—Proceeds shall be treated*

1 *as inuring to or for the use of a political candidate*
 2 *only if—*

3 “(A) *such proceeds may be used directly or*
 4 *indirectly for the purpose of furthering his candi-*
 5 *dacy for selection, nomination, or election to any*
 6 *elective public office, and*

7 “(B) *such proceeds are not received by such*
 8 *candidate in the ordinary course of a trade or busi-*
 9 *ness (other than the trade or business of holding*
 10 *elective public office).*

11 “(c) *CROSS REFERENCE.—*

“For disallowance of certain entertainment, etc. ex-
penses, see section 274.”

12 (b) *CLERICAL AMENDMENT.—The table of sections for*
 13 *such part IX is amended by adding at the end thereof the*
 14 *following new item:*

“Sec. 276. Certain indirect contributions to political parties.”

15 (c) *EFFECTIVE DATE.—The amendments made by sub-*
 16 *sections (a) and (b) shall apply to taxable years beginning*
 17 *after December 31, 1965, but only with respect to amounts*
 18 *paid or incurred after the date of the enactment of this Act.*

19 (34) *SEC. 302. INFORMATION RETURNS MADE BY DE-*
 20 *PARTMENT OF AGRICULTURE.*

21 (a) *FILING BY SECRETARY OF AGRICULTURE OR HIS*
 22 *DESIGNEES.—Section 6041 (relating to information at*

1 source) is amended by adding at the end thereof the follow-
2 ing new subsection:

3 “(e) PAYMENTS BY DEPARTMENT OF AGRICUL-
4 TURE.—

5 “(1) RETURNS TO BE MADE BY SECRETARY OF
6 AGRICULTURE.—In the case of any payments, for which
7 returns are required under subsection (a), made under
8 any program administered by the Department of Agri-
9 culture, the returns required under subsection (a) shall
10 be rendered by the Secretary of Agriculture or by one
11 or more officers or employees of the Department of Agri-
12 culture designated by the Secretary of Agriculture to
13 make such returns on his behalf.

14 “(2) STATEMENTS TO BE FURNISHED TO PERSONS
15 WITH RESPECT TO WHOM INFORMATION IS FUR-
16 NISHED.—The Secretary of Agriculture, or the officer
17 or employee of the Department of Agriculture desig-
18 nated by him to render any return to which paragraph
19 (1) applies, shall furnish to each person whose name is
20 set forth in such return a written statement showing the
21 aggregate amount of payments to the person as shown on
22 such return. The written statement required under the
23 preceding sentence shall be furnished to the person on or
24 before January 31 of the year following the calendar

1 year for which the return under subsection (a) was
2 made."

3 (b) *EFFECTIVE DATE.*—The amendment made by sub-
4 section (a) shall apply with respect to returns made after
5 the date of the enactment of this Act.

6 **(35)** *SEC. 303. (a)(1) Section 202 of the Social Security*
7 *Act is amended by adding at the end thereof the following:*
8 *“Benefit Payments to Persons Not Otherwise Entitled Under*

9 *This Section*

10 “(w)(1) Every individual who—

11 “*(A)* has attained age seventy, and

“(B)(i) is not and would not, upon filing application therefor, be entitled to any monthly benefits under any other subsection of this section for the month in which he attains such age or, if later, the month in which he files application under this subsection, or (ii) is entitled to monthly benefits under any other subsection of this section for such month, if the amount of such benefits (after application of subsection (q)) is less than the amount of the benefits payable under this subsection to individuals entitled to such benefits, and

22 “(C) is a resident of the United States (as defined
23 in section 210(i) of the Social Security Act), and is
24 (i) a citizen of the United States or (ii) an alien law-
25 fully admitted for permanent residence who has resided

1 *in the United States (as so defined) continuously dur-*
 2 *ing the 5 years immediately preceding the month in*
 3 *which he files application under this section, and*

4 *“(D) has filed application for benefits under this*
 5 *subsection, shall be entitled to a benefit under this sub-*
 6 *section for each month, beginning with the first month*
 7 *after September 1966 in which he becomes so entitled*
 8 *to such benefits and ending with the month preceding*
 9 *the month in which he dies. Subject to paragraph (2),*
 10 *such individual’s benefit for each month shall be equal*
 11 *to the first figure in column IV of the table in section*
 12 *215(a).*

13 *“(2) The amount of the benefit to which an individual*
 14 *is entitled under this subsection for any month shall be equal*
 15 *to one-half of the amount provided under paragraph (1)*
 16 *if—*

17 *“(A) such individual is a married woman, and*

18 *“(B) if the husband of such individual is entitled,*
 19 *for such month, to benefits under this subsection.”*

20 *(2) The following provisions of section 202 of such Act*
 21 *are each amended by striking out “or (h)” and inserting in*
 22 *lieu thereof “(h), or (w)”:*

23 *(A) subsection (d)(6)(A),*

24 *(B) subsection (e)(3)(A),*

25 *(C) subsection (f)(4)(A),*

(D) subsection (g)(3)(A), and

2 (E) the first section of subsection (j) (1).

3 (3) Section 202(h)(4)(A) of such Act is amended
4 by striking out “or (g)” and inserting in lieu thereof “(g),
5 or (w)”.

(4) Section 202(k)(2)(B) of such Act is amended
by striking out “preceding”.

8 *EFFECTIVE DATE*

9 (b) The amendments made by subsection (a) shall
10 apply only in the case of monthly benefits under title II
11 of the Social Security Act for months beginning after Sep-
12 tember 1966 based on applications filed on or after July 1,
13 1966, or the date of enactment of this Act, whichever is the
14 earlier.

15 (c)(1) Section 227 of the Social Security Act is re-
16 pealed as of the close of September 1966.

(2) Any individual, who (for the month of September 1966) is entitled to a monthly insurance benefit under section 202 of the Social Security Act by reason of the provisions of section 227 thereof, shall be deemed to have applied for benefits under section 202(w) of such Act, and all applications which are filed for monthly benefits under section 202 of such Act by reason of the provisions of section 227 and which are pending on the date of enactment of this

1 *Act shall be deemed to be applications for benefits under*
2 *such section 202(w).*

3 *REIMBURSEMENT OF TRUST FUNDS*

4 *(d) There are authorized to be appropriated to the*
5 *Federal Old-Age and Survivors Insurance Trust Fund, and*
6 *to the Federal Hospital Insurance Trust Fund, respectively,*
7 *from time to time such sums as the Secretary deems neces-*
8 *sary for any fiscal year, on account of—*

9 *(1) so much of any payments made or to be made*
10 *during such fiscal year from such Fund with respect*
11 *to individuals whose entitlement thereto is attributable*
12 *to the provisions contained in section 202(w) of the*
13 *Social Security Act,*

14 *(2) the additional administrative expenses result-*
15 *ing, or expected to result, to such Fund on account of*
16 *such payments, and*

17 *(3) any loss in interest to such Fund resulting*
18 *from the making of any such payments,*
19 *in order to place such Fund in the same position at the end*
20 *of such fiscal year as that in which it would have been if*
21 *the preceding subsections of this section had not been*
22 *enacted.*

23 **(36)***SEC. 304. (a) Subpart B of part 1 of the appendix to*
24 *the Tariff Schedules of the United States (19 U.S.C. 1202)*

1 *is amended by inserting after item 915.20 the following new*
2 *item:*

“	915.25	<i>Articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone (within the meaning of section 112(c) of the Internal Revenue Code of 1954) to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe if such articles were purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the Secretary of Defense.....</i>	<i>Free (see headnote 2 of this subpart)</i>	<i>Free (see headnote 2 of this subpart)</i>	<i>On or before 12/31/67</i>	”.
---	--------	--	--	--	------------------------------	----

3 *(b) Headnote 2 for subpart B of part 1 of such ap-*
4 *pendix is amended by striking out “item 915.20” and insert-*
5 *ing in lieu thereof “items 915.20 and 915.25”.*

6 *(c) The amendments made by this section shall apply*
7 *with respect to articles entered, or withdrawn from ware-*
8 *house, for consumption after the date of the enactment of this*
9 *Act.*

Passed the House of Representatives February 23, 1966.

Attest: RALPH R. ROBERTS,
Clerk.

Passed the Senate with amendments March 9, 1966.

Attest: EMERY L. FRAZIER,
Secretary.

89TH CONGRESS
2d Session

H. R. 12752

AN ACT

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 9, 1966

Ordered to be printed with the amendments of the
Senate numbered

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued March 11, 1966
For actions of March 10, 1966
89th-2nd; No. 43

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HIGHLIGHTS: Sen. Proxmire criticized proposed child nutrition program. Rep. Fino inserted article critical of community development proposals.

SENATE

1. FOREIGN AID. By a vote of 82 to 2, passed with an amendment H. R. 12169, to authorize supplemental appropriations for the foreign aid program in Vietnam, Laos, Thailand, and the Dominican Republic. pp. 5311-22, 5325-33
2. PERSONNEL. The Post Office and Civil Service Committee reported H. R. 1647, with amendment, to provide for the payment of certain amounts and restoration of employment benefits to certain Federal employees improperly deprived thereof (S. Rept. 1062), and H. R. 432, without amendment, to amend the Federal

Employees' Group Life Insurance Act of 1954 and the Civil Service Retirement Act so as to provide for assurance of a valid acquittance to the insurer or the Government upon payment to a claimant properly entitled under such acts (S. Rept. 1064). p. 5266

3. MANPOWER. Received from the President his annual manpower report and the report of the Secretary of Labor on manpower requirements, resources, use and training; to Labor and Public Welfare Committee. pp. 5333-4
4. SCHOOL MILK; CHILD NUTRITION. Sen. Proxmire criticized the proposed child nutrition program and objected "to withdrawing all Federal support for school milk purchases unless the child can prove he or she is needy enough to get free milk." pp. 5269-70
Sen. Ribicoff was added as a cosponsor of S. 2921, to provide a special milk program for children. p. 5269
5. TRANSPORTATION. Sen. McClellan announced that hearings will begin Mar. 29 on the proposal to establish a Department of Transportation. p. 5269
6. FOREIGN TRADE. Sen. Brewster reviewed the meeting he recently attended as a congressional advisor to the American delegation to the meeting at the GATT Trade Center in Geneva to consider ways and means of promoting increased trade with underdeveloped nations. pp. 5288-9
7. ALASKA CENTENNIAL. Agreed to a unanimous-consent agreement by Sen. Mansfield that when S. 2614, to provide for U. S. participation in the statewide exposition to be held in Alaska during 1967, is considered next Mon. debate on any motions to the bill be limited to 30 minutes. p. 5334
8. ADJOURNED until Mon., Mar. 14. pp. 5337-8

HOUSE

9. DAYLIGHT TIME. The Interstate and Foreign Commerce Committee reported with amendments H. R. 6785, to establish uniform dates throughout the U. S. for the commencing and ending of daylight saving time in those States and local jurisdictions where it is observed (H. Rept. 1315). p. 5343
10. TAXATION. Conferees were appointed on H. R. 12752, the proposed Tax Adjustment Act of 1966 (p. 5340). The "Daily Digest" states that the conferees agreed to file a conference report on this bill on Mon., Mar. 14. (p. D193).
11. ECONOMIC REPORT. The "Daily Digest" states that the Joint Economic Committee "approved its report on the President's Economic Report." p. D193
12. LEGISLATIVE PROGRAM. Rep. Albert announced that on Tues., Mar. 15, the House will consider H. R. 6785, establishing uniform dates for daylight saving time. p. 5342
13. ADJOURNED until Mon., Mar. 14. p. 5342

ITEMS IN APPENDIX

14. RECREATION. Rep. Don Clausen inserted an editorial favoring the establishment

VIRGINIA

Marcellus G. Carpenter, Barboursville.
 Patsy T. Johnson, Baskerville.
 Herman K. Williams, Galax.
 Muriel J. Horlander, Meherrin.
 Allie O. Tuck, Natural Bridge.
 Clarence C. Haga, Pocahontas.
 James H. Hale, Richlands.
 Virginia B. Bruce, Woodford.

WASHINGTON

Carol Stipek, Bothell.
 Horace C. Donganecker, Bridgeport.

LeRoy LeDuc, Granite Falls.
 Gayanor S. Calvisky, Roslyn.

WEST VIRGINIA

Charles E. Thompson, Sr., Amherstdale.
 Howard A. Payne, Belington.
 Henry E. Harkins, Buckhannon.
 Matthew M. Kinsolving, Cedar Grove.
 Freeda F. Sherrard, Inwood.

WISCONSIN

Burton W. Sauer, Arcadia.
 Duane D. Chapman, Ashippun.

James W. Stellpflug, Galesville.
 William J. Lee, Mellen.
 Harris P. Johnson, Osseo.
 Arthur A. Pritzi, Park Falls.
 Clifton R. Barber, Plum City.
 Harold A. Kuehl, Reeseville.
 Mary F. Crary, Rock Springs.
 Francis J. Tachovsky, Sturgeon Bay.
 Paul R. Trauba, Theresa.

WYOMING

Theodore E. Anderson, Greybull.

House of Representatives

THURSDAY, MARCH 10, 1966

The House met at 12 o'clock noon.

The Reverend Woodrow Wilson Hayzlett, pastor, Central Methodist Church, Arlington, Va., offered the following prayer:

Lord, Thou hast been our dwelling place in all generations.

Before the mountains were brought forth, or ever Thou hadst formed the earth and the world, even from everlasting to everlasting, Thou art God.

For a thousand years in Thy sight are but as yesterday when it is past, and as a watch in the night.

Thou carriest them away as with a flood; they are as asleep: in the morning they are like grass which groweth up.

In the morning it flourisheth, and groweth up; in the evening it is cut down, and withereth.

So teach us to number our days, that we may apply our hearts unto wisdom.

Let Thy work appear unto Thy servants, and Thy glory unto their children.

And let the beauty of the Lord our God be upon us; and establish Thou the work of our hands upon us; yea, the work of our hands establish Thou it.—
Excerpts from the 90th Psalm.

O Lord, our God, God of our Fathers, by whose almighty hand this Government of the people, by the people, and for the people exists on the face of this good earth, we pray now Thy continued blessings on our beloved country so sorely tried by the shifting currents within and without. May the faith of her people be enhanced, may the awareness of Thy presence and a reliance on Thy wisdom and guidance be the first concern of these who are Thy servants and the elected servants of the citizens of this Nation. Finally, may the hand of the Almighty ever rest upon the helm of this ship of state that we at last all reach that desired haven.

We thank Thee for Thy servant with whom we walked and worked for a little while upon this earth. Thou hast received him into Thy nearer presence. Give unto his family and loved ones the consolation of Thy grace.

Through Jesus Christ our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arlington, one of its clerks, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 12752. An act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 12752) entitled "An act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. LONG of Louisiana, Mr. SMATHERS, Mr. ANDERSON, Mr. WILLIAMS of Delaware, and Mr. CARLSON to be the conferees on the part of the Senate.

The message also announced that the Vice President, pursuant to Public Law 170, 74th Congress, appointed Mr. MONRONEY to be a member on the part of the Senate to the Interparliamentary Union Conference to be held in Canberra, Australia, April 11 to 16, 1966.

TAX ADJUSTMENT ACT OF 1966

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? The Chair hears none, and appoints the following conferees: Messrs. KING of California, BOGGS, KEOGH, BYRNES of Wisconsin, CURTIS, and UTT.

CONFERENCE REPORT ON THE TAX ADJUSTMENT ACT OF 1966

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the conferees on the part of the House may have until midnight Monday, March 14, 1966, to file a conference report on the bill H.R. 12752, the Tax Adjustment Act of 1966.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? The Chair hears none, and it is so ordered.

There was no objection.

AUTHORIZING APPROPRIATIONS DURING FISCAL YEAR 1966 FOR PROCUREMENT OF AIRCRAFT, MISSILES, NAVAL VESSELS, TRACKED COMBAT VEHICLES, RESEARCH, DEVELOPMENT, TEST, EVALUATION, AND MILITARY CONSTRUCTION

Mr. RIVERS of South Carolina submitted the following conference report and statement on the bill (H.R. 12889) to authorize appropriations during the fiscal year 1966 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, research, development, test, evaluation, and military construction for the Armed Forces, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 1312)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12889) to authorize appropriations during the fiscal year 1966 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, research, development, test, evaluation, and military construction for the Armed Forces, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE I—PROCUREMENT

"SEC. 101. In addition to the funds authorized to be appropriated under Public Law 89-37 there is hereby authorized to be appropriated during the fiscal year 1966 for the use of the Armed Forces of the United States for procurement of aircraft, missiles, naval vessels, and tracked combat vehicles in amounts as follows:

"Aircraft

"For aircraft: for the Army \$25,600,000; for the Navy and the Marine Corps, \$738,300,000; for the Air Force, \$1,585,700,000.

"Missiles

"For missiles: for the Army, \$64,000,000; for the Navy, \$26,200,000; for the Marine Corps, \$27,500,000; for the Air Force, \$63,700,000.

"Tracked combat vehicles

"For tracked combat vehicles: for the Army, \$75,800,000; for the Marine Corps, \$10,900,000.

"TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

"SEC. 201. In addition to the funds authorized to be appropriated under Public Law 89-37 there is hereby authorized to be appropriated during fiscal year 1966 for the use of the Armed Forces of the United States for research, development, test, and evaluation, as authorized by law, in amounts as follows:

"For the Army, \$27,995,000;

"For the Navy (including the Marine Corps), \$52,570,000;

"For the Air Force, \$71,085,000.

COPYRIGHT LAW REVISION

Committee on the Judiciary: Subcommittee No. 3 met in executive session and continued on H.R. 4347, regarding copyright law revision. No final action was taken.

MERCHANT SHIPPING TO VIETNAM

Committee on Merchant Marine and Fisheries: Subcommittee on Merchant Marine continued hearings on the shipping situation in Vietnam. Testimony was heard from public witnesses.

PARCEL POST

Committee on Post Office and Civil Service: Subcommittee on Postal Rates continued hearings on H.R. 12367, and related bills, to revise postal rates on certain fourth-class mail. Testimony was heard from public witnesses.

TOLL FACILITIES

Committee on Public Works: Special Subcommittee on the Federal-Aid Highway Program and the Subcommittee on Roads continued joint hearings on the relationship of toll facilities to the Federal-aid program. Testimony was heard from public witnesses.

COMMON SITUS PICKETING

Committee on Rules: Granted an open rule with 4 hours of debate on H.R. 10027, to amend section 8(b)(4) of the National Labor Relations Act, with respect to strikes at the sites of construction projects. Testimony was heard from Representatives Rhodes of Arizona, Goodell, Fisher, Gurney, Curtis, and Burton of Utah.

FEDERAL EMPLOYEES HEALTH BENEFITS

Committee on Rules: Granted an open rule with 1 hour of debate on H.R. 5147, to permit certain additional health benefits plans to come within the purview of the Federal Employees Health Benefits Act.

NASA APPROPRIATIONS AUTHORIZATION

Committee on Science and Astronautics: Continued hearings on H.R. 12718, to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and administrative operations. Testimony was heard from James E. Webb, Administrator, NASA.

SMALL BUSINESS

Select Committee on Small Business: Subcommittee on Activities of Regulatory and Enforcement Agencies Relating to Small Business continued hearings on the activities of the FCC dealing with small business. Testimony was heard from public witnesses.

Joint Committee Meetings**AEC AUTHORIZATIONS**

Joint Committee on Atomic Energy: Committee continued its hearings on S. 2823 and H.R. 12292, fiscal 1967 authorizations for the Atomic Energy Commission, having as its witness Dr. Paul W. McDaniel, Director, Division of Research, AEC.

Hearings continue tomorrow.

PRESIDENT'S ECONOMIC REPORT

Joint Economic Committee: Committee met in executive session and approved its report on the President's Economic Report.

Committee announced that this report would be filed in the Congress on Thursday, March 17.

TAXATION

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of H.R. 12752, proposed Tax Adjustment Act. Conferees agreed (1) to accept Senate amendment relating to graduated withholding allowance, (2) to accept Senate amendment deleting 1-percent floor stock tax on auto dealers inventories, (3) to delete Senate amendment relating to exemption from taxation of local residential telephone service, (4) to accept Senate amendment making April 1, 1966, effective date for the restoration of 10-percent telephone tax, (5) to accept Senate amendment which would disallow deductions for certain indirect political contributions, (6) to accept modified Prouty amendment relating to social security coverage (modified so as to (a) authorize monthly payment of \$35 to single recipient, plus \$17.50 for a spouse, totaling a maximum of \$52.50 monthly; (b) extend coverage to persons who reach 72 years of age before 1968; (c) allow such persons to draw public assistance or this social security benefit, but not both; and (d) making effective date of this amendment October 1, 1966); and (7) to accept Senate amendment allowing shipment to U.S. duty-free of gifts of not more than \$50 value from members of the Armed Forces serving in combat zones.

The conference report on this bill will be filed by midnight Monday, March 14.

BILL SIGNED BY THE PRESIDENT**New Law**

(For last listing of public laws, see DIGEST, p. D187, March 9, 1966)

S. 251, providing for the establishment of Cape Lookout National Seashore, N.C. Signed March 10, 1966 (P.L. 89-366).

CONGRESSIONAL PROGRAM AHEAD**Week of March 14-19**

(Committee meetings are open unless otherwise indicated)

Senate Chamber

On Monday, Senate will continue, under debate-limitation agreement, on H.R. 3584, coal mine safety, to be followed by consideration, under debate-limitation agreement, of House amendments to S. 2614, Alaska Centennial, and by consideration of S. 2499, amendment of Small Business Act.

Senate Committees

Committee on Agriculture and Forestry: March 16, executive, on committee business, 10:30 a.m., 324 Old Senate Office Building.

Committee on Appropriations: March 14, executive, to hear AID Administrator Bell on proposed fiscal 1966 supplemental appropriations for economic aid in Southeast Asia, 10 a.m., 1224 New Senate Office Building;

March 14-18, subcommittee, on proposed fiscal 1967 budget estimates for the Department of the Interior, 10 a.m., Monday in 1223 New Senate Office Building;

March 15-18, subcommittee, on fiscal 1967 budget estimates for public works, Tuesday at 10 a.m., room S-126, Capitol;

March 15, subcommittee, on fiscal 1967 budget estimates for the Department of Agriculture, 10 a.m. and 2 p.m., 1114 New Senate Office Building;

March 16, executive, to mark up proposed fiscal 1966 supplemental appropriations for economic aid in Southeast Asia, 10 a.m., 1223 New Senate Office Building.

Committee on Banking and Currency: March 16, Subcommittee on Financial Institutions, to begin hearings on H.R. 7371, S. 2353, and 2418, bills to amend in several respects the Bank Holding Company Act of 1956, 10 a.m., 5302 New Senate Office Building.

Committee on Commerce: March 15, to hold hearings on the nomination of Rear Adm. Willard J. Smith, to be Commandant of the Coast Guard, and on nominations of four for promotion to rear admiral in the Coast Guard, to be followed by executive meeting on S. 985, Fair Packaging and Labeling Act, and S. 2669, Tire Safety Act, 10 a.m., 5110 New Senate Office Building;

March 16 and 17, to hold hearings on titles I and II of S. 3005, proposed Traffic Safety Act, and other pending related bills, 10 a.m., 5110 New Senate Office Building.

Committee on the District of Columbia: March 14 and 15, Public Health Subcommittee, on S. 293, proposed D.C. Public Higher Education Act, 9 a.m., 6226 New Senate Office Building.

Committee on Foreign Relations: March 16 and 18, to continue its hearings on U.S. policy in mainland China, 10 a.m., 4221 New Senate Office Building.

Committee on Interior and Insular Affairs: March 15, Subcommittee on Water and Power Resources, on S. 2999, to repeal section 6 of the Southern Nevada Project Act (P.L. 89-297), 10 a.m., 3110 New Senate Office Building;

March 17, Public Lands Subcommittee, on several pending bills (S. 2466, 1684, and 2602), 10 a.m., 3110 New Senate Office Building.

Committee on the Judiciary: March 15-17, Constitutional Rights Subcommittee, to continue its hearings on S. 2097, judicial review of constitutionality of grants or loans under certain acts, 10:30 a.m., 2228 New Senate Office Building.

Committee on Labor and Public Welfare: March 16 and 17, Subcommittee on Health, on S. 3008, proposed comprehensive health planning and public health services amendments, 10 a.m., 4232 New Senate Office Building;

Also see under Joint Committees.

Committee on Rules and Administration: March 16, executive, on committee business, 10 a.m., 301 Old Senate Office Building.

House Chamber

Monday, District Day (no bills).

Tuesday and balance of week, the House will call the Private Calendar and will consider the Supplemental Defense Appropriation for 1966; S. 2394, authorizing an official residence for the Vice President of the United States; and H.R. 6785, establishing uniform dates for daylight saving time.

Note.—Conference reports may be brought up at any time.

House Committees

Committee on Agriculture: March 14, Subcommittee on Departmental Oversight, on the Agricultural Stabilization Commission's administrative problems, 10 a.m., 1301 Longworth House Office Building.

March 15, 16, 17, and 18, full committee, on H.R. 12798, and related bills, to protect domestic consumers against an inadequate supply of soybeans and soybean products; to maintain and promote foreign trade; to protect producers of soybeans against an unfair loss of income resulting from the establishment of a reserve supply; and to assist in marketing soybeans for domestic consumption and export, 10 a.m., 1301 Longworth House Office Building.

Committee on Appropriations: March 14, Subcommittee on Defense, executive, 10 a.m., H-140 U.S. Capitol Building.

Subcommittee on Treasury-Post Office, executive, 10 a.m., H-301 U.S. Capitol Building.

Subcommittee on State, Justice, Commerce, and Judiciary, executive, 10:30 a.m., H-310 U.S. Capitol Building.

Subcommittee on Public Works, executive, 10 a.m., H-307 U.S. Capitol Building.

Subcommittee on Independent Offices, executive, 10 a.m., H-143 U.S. Capitol Building.

Subcommittee on Labor-HEW, executive, 2 p.m., H-164 U.S. Capitol Building.

Committee on Armed Services: March 15, 16, 17, and 18, full committee, executive, on H.R. 13456, procurement authorization for fiscal year 1967, 10 a.m., 2118 Rayburn House Office Building.

Committee on Banking and Currency: March 15, Subcommittee on Bank Supervision, on H.R. 112, to prohibit banks from performing certain nonbanking services; H.R. 117, to prohibit banks from engaging in the business of personal property leasing; and H.R. 10529, to prohibit banks from performing professional accounting services, 10 a.m., 2220 Rayburn House Office Building.

March 15 and 16, Subcommittee on Bank Supervision and Insurance, executive, on H.R. 11508, to authorize the establishment of Federal mutual savings banks, 10 a.m., 2220 Rayburn House Office Building.

Committee on the District of Columbia: March 14, Subcommittee No. 5, on S. 2263, to establish a Traffic Branch of the District of Columbia Court of General Sessions and to provide for the appointment to such court of five additional judges, 10 a.m., 1310 Longworth House Office Building.

Committee on Education and Labor: March 14, Special Subcommittee on Education, on H.R. 13174 and H.R. 13237, related bills, higher education amendments of 1966, 10 a.m., 2257 Rayburn House Office Building.

March 14-18, General Subcommittee on Education, on H.R. 13160 and 13161, to strengthen and improve programs of assistance for our elementary and secondary schools, 10 a.m., 2261 Rayburn House Office Building.

Committee on Foreign Affairs: March 14, Subcommittee on Inter-American Affairs, on H.R. 7573, to authorize the conclusion of an agreement for the joint construction by the U.S. and Mexico of an international flood control project for the Tia Juana River in accordance with the provisions of the treaty of February 3, 1944, with Mexico, 10 a.m., 2200 Rayburn House Office Building.

March 14, Subcommittee on the Far East and the Pacific, to view films on Red China and the Mekong River Basin, 2 p.m., 2172 Rayburn House Office Building.

March 15, Subcommittee on Inter-American Affairs, open and executive, on H.R. 7573, to authorize the conclusion of an agreement for the joint construction by the U.S. and Mexico of an international flood control project for the Tia Juana River in accordance with the provisions of the treaty of February 3,

March 14, 1966

- 3 -

13. RECLAMATION. Sen. McGovern inserted a S. Dak. Legislature memorial in support of the proposed construction of the initial unit of the Oahe irrigation project, S. Dak. p. 5414
14. FARMERS UNION. Several Senators paid tribute to James G. Patton upon his retirement as president of the National Farmers Union. pp. 5415-7
15. EDUCATION. Sen. Church criticized the budget cut for Federal aid to schools in federally impacted areas. pp. 5419-25
16. FISH CONCENTRATE. Sen. Douglas and others criticized the Food and Drug Administration for not approving the use of high protein fish concentrate as a food. pp. 5427-9
17. ECONOMICS. Sen. Proxmire defended the administration's wage-price guideposts and inserted several items on the subject. pp. 5445-57
18. INFLATION. Sen. Proxmire inserted an article, "Administration Fights Inflation on Several Fronts--Items Range from Canned Fruits to Cowhides," including references to actions taken by this Department to combat inflation. p. 5457
19. NOMINATION. Received the nomination of Farris Bryant to be director of the Office of Emergency Planning. p. 5466

HOUSE

20. PERSONNEL; HEALTH. The Rules Committee reported a resolution for consideration of H. R. 5147, to amend the Federal Employees Health Benefits Act of 1959 to permit until Dec. 31, 1965, certain additional health benefits plans to come within the purview of the Act. p. 5531
21. RECLAMATION. The Interior and Insular Affairs Committee reported with amendments H. R. 2829, to authorize Interior to construct, operate, and maintain the Manson Unit, Chelan division, Chief Joseph Dam project, Wash. (H. Rept. 1321). p. 5531
22. FOREIGN AID. Conferees were appointed in both Houses on H. R. 12169, to authorize supplemental appropriations for the foreign aid program in Vietnam, Laos, Thailand, and the Dominican Republic. pp. 5438, 5467
23. RECREATION. A subcommittee of the Interior and Insular Affairs Committee voted to report to the full committee with amendment H. R. 7524, to establish the Oregon Dunes National Seashore, Oreg. p. D200
24. TAXATION. Received the conference report on H. R. 12752, the proposed Tax Adjustment Act of 1966, which includes a provision for the graduated withholding of income tax from wages (H. Rept. 1323). (pp. 5527-30). The conference report deletes the requirement that this Department, in the case of payments made under programs it administers, supply farmers with copies of any statements which under present law it must send to the Internal Revenue Service. The report states "it was recognized that there is a problem in correlating the different payments which may be made to a farmer during a year at different times or by different offices or agencies of the Department of Agriculture. It was thought that a means should be developed administratively to report

with respect to any farmer a total of the payments made to him which should be reported for tax purposes. Also, a study should be made of the feasibility of reporting to the farmer amounts paid to him which are reported to the Internal Revenue Service. These studies should be made by the Department of Agriculture in cooperation with the Department of the Treasury and a report made to the House Committee on Ways and Means and the Senate Committee on Finance early in the next Congress." (p. 5529).

25. ELECTRIFICATION. Rep. Rogers, Tex., inserted the text of prize-winning speeches by two high school students on rural electrification. pp. 5468-9
Rep. Ottinger spoke in support of legislation designed to "speed the underground installation of high-voltage transmission lines". p. 5506
26. WEATHER CONTROL. Rep. Walker, N.M., inserted an editorial, "Weather Controls Action Due," concerning "the support given for safe and effective programs for modifying the weather." p. 5469
27. URBAN AFFAIRS. Rep. Ryan inserted a copy of a letter sent by numerous Representatives to the Joint Committee on the Organization of the Congress urging establishment of a new standing committee to be called the Committee on Urban Affairs. pp. 5469-70
28. EDUCATION. Rep. Pirnie spoke against the proposed cutback in financial support to schools in federally impacted areas. pp. 5471-2
Rep. Sickles commended the President's message on international education, particularly the proposals which "would enhance the quantity and quality of education in international affairs." pp. 5509-10
29. HAWAII. Rep. Matsunaga and several other Representatives spoke in commemoration of the 7th anniversary of passage of the Hawaii statehood bill. pp. 5478-88
30. OPINION POLL. Rep. Bolton inserted the results of an opinion poll including several items of interest to this Department. pp. 5488-9
31. SCHOOL LUNCH; MILK. Rep. Nelsen inserted a letter expressing concern over the proposed cutback of school lunch and special milk program funds. p. 5491
32. FARM PROGRAM; APPROPRIATIONS. Rep. Langen inserted a statement of the House Republican Task Force on Agriculture which states that "the President's agriculture budget for 1967 shows little regard for the future of U. S. agriculture and rural America." pp. 5492-3
33. RESEARCH ANIMALS. Rep. Rodino spoke in support of his bill "designed to eliminate...the theft of pet cats and dogs...for research use." p. 5505
34. WATER RESOURCES. Rep. Ottinger urged passage of his bill, H. R. 13508, "to draw up a mutually acceptable and effective interstate compact under which the resources of the Hudson River can be fully developed and restored." pp. 5506-8
35. WORLD FOOD. Rep. Stalbaum urged "agricultural self-help" in the economic growth of underdeveloped countries and inserted an editorial, "A Cry From India." pp. 5512-3

TAX ADJUSTMENT ACT OF 1966

MARCH 14, 1966.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 12752]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 18, 22, 23, 24, 25, and 34.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 26, 27, 28, 29, 30, 31, 32, and 33, and agree to the same.

Amendment numbered 35:

That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

Sec. 302. Benefits at age 72 for certain uninsured individuals.

(a) *MONTHLY BENEFITS.*—*Title II of the Social Security Act is amended by adding at the end thereof the following new section:*

*"BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS**"ELIGIBILITY**"SEC. 228. (a) Every individual who—**"(1) has attained the age of 72,**"(2) (A) attained such age before 1968, or (B) has not less than 3 quarters of coverage, whenever acquired, for each calendar year elapsing after 1966 and before the year in which he attained such age,**"(3) is a resident of the United States (as defined in subsection (e)), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i)) continuously during the 5 years immediately preceding the month in which he files application under this section, and**"(4) has filed application for benefits under this section, shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.**"BENEFIT AMOUNT**"(b)(1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be \$35.**"(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be \$35 and the amount of the wife's benefit for such month shall be \$17.50.**"REDUCTION FOR GOVERNMENTAL PENSION SYSTEM BENEFITS**"(c)(1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.**"(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) \$17.50.**"(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—**"(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) \$35, and*

“(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) \$17.50.

“(4) For purposes of this subsection, in determining whether an individual is eligible for periodic benefits under a governmental pension system—

“(A) such individual shall be deemed to have filed application for such benefits,

“(B) to the extent that entitlement depends on an application by such individual's spouse, such spouse shall be deemed to have filed application, and

“(C) to the extent that entitlement depends on such individual or his spouse having retired, such individual and his spouse shall be deemed to have retired before the month for which the determination of eligibility is being made.

“(5) For purposes of this subsection, if any periodic benefit is payable on any basis other than a calendar month, the Secretary shall allocate the amount of such benefit to the appropriate calendar months.

“(6) If, under the foregoing provisions of this section, the amount payable for any month would be less than \$1, such amount shall be reduced to zero. In the case of a husband and wife both of whom are entitled to benefits under this section for the month, the preceding sentence shall be applied with respect to the aggregate amount so payable for such month.

“(7) If any benefit amount computed under the foregoing provisions of this section is not a multiple of \$0.10, it shall be raised to the next higher multiple of \$0.10.

“(8) Under regulations prescribed by the Secretary, benefit payments under this section to an individual (or aggregate benefit payments under this section in the case of a husband and wife) of less than \$5 may be accumulated until they equal or exceed \$5.

“SUSPENSION FOR MONTHS IN WHICH CASH PAYMENTS ARE MADE UNDER
PUBLIC ASSISTANCE

“(d) The benefit to which any individual is entitled under this section for any month shall not be paid for such month if—

“(1) such individual receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI, or

“(2) such individual's husband or wife receives such aid or assistance in such month, and under the State plan the needs of such individual were taken into account in determining eligibility for (or amount of) such aid or assistance,

unless the State agency administering or supervising the administration of such plan notifies the Secretary, at such time and in such manner as may be prescribed in accordance with regulations of the Secretary, that such payments to such individual (or such individual's husband or wife) under such plan are being terminated with the payment or payments made in such month.

"SUSPENSION WHERE INDIVIDUAL IS RESIDING OUTSIDE THE UNITED STATES

"(e) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States. For purposes of this subsection, the term 'United States' means the 50 States and the District of Columbia.

"TREATMENT AS MONTHLY INSURANCE BENEFITS

"(f) For purposes of subsections (t) and (u) of section 202, and of section 1840 a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.

"ANNUAL REIMBURSEMENT OF FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

"(g) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

"(1) payments made under this section during the second preceding fiscal year and all fiscal years prior thereto to individuals who, as of the beginning of the calendar year in which falls the month for which payment was made, had less than 3 quarters of coverage,

"(2) the additional administrative expenses resulting from the payments described in paragraph (1), and

"(3) any loss in interest to such Trust Fund resulting from such payments and expenses, in order to place such Trust Fund in the same position at the end of such fiscal year as it would have been in if such payments had not been made.

"DEFINITIONS

"(h) For purposes of this section—

"(1) The term 'quarter of coverage' includes a quarter of coverage as defined in section 5(l) of the Railroad Retirement Act of 1937.

"(2) The term 'governmental pension system' means the insurance system established by this title or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (A) pensions, (B) retirement or retired pay, or (C) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

"(3) The term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(4) The determination of whether an individual is a husband or wife for any month shall be made under subsection (h) of section 216 without regard to subsections (b) and (f) of section 216."

(b) **CERTAIN APPLICATIONS UNDER 1965 AMENDMENTS.**—For purposes of paragraph (4) of section 228(a) of the Social Security Act

(added by subsection (a) of this section), an application filed under section 103 of the Social Security Amendments of 1965 before July 1966 shall be regarded as an application under such section 228 and shall, for purposes of such paragraph and of the last sentence of such section 228(a), be deemed to have been filed in July 1966, unless the person by whom or on whose behalf such application was filed notifies the Secretary that he does not want such application so regarded.

And the Senate agree to the same.

Amendment numbered 36:

That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with the following amendments:

On page 19 of the Senate engrossed amendments, strike out line 4 and insert:

Sec. 303. Temporary duty-free entry for gifts from members of Armed Forces in combat zones.

(a) *GIFTS COSTING \$50 OR LESS.*—Subpart B of part 1 of the appendix to

On page 19 of the Senate engrossed amendments, in the matter following line 7, after “may prescribe” insert a comma.

On page 19 of the Senate engrossed amendments, in the fourth line from the bottom of the page, strike out “(b)” and insert: (b) *CLERICAL AMENDMENT.*—

On page 19 of the Senate engrossed amendments, in the last line, strike out “(c)” and insert: (c) *EFFECTIVE DATE.*—

And the Senate agree to the same.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

RUSSELL B. LONG,
GEORGE A. SMATHERS,
CLINTON P. ANDERSON,
JOHN J. WILLIAMS,
FRANK CARLSON,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying or conforming changes: 1, 2, 3, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 23, 24, 25, 27, 28, 29, 30, 31, and 32. With respect to these amendments (1) the House recedes, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS

Amendments Nos. 4 and 5: The bill as passed by the House and the Senate permits employees to claim withholding allowances (which are to have the same effect as withholding exemptions for purposes of income tax withholding) equal to the number determined by dividing by \$700 the excess of (1) estimated itemized deductions, over (2) an amount equal to the sum of a specified percentage of the first \$7,500 of estimated wages and 17 percent of the remainder of the estimated wages. Under the bill as passed by the House, the percentage of the first \$7,500 of estimated wages was 12 percent. Under Senate amendment No. 4, this percentage is reduced to 10 percent. The House recedes.

Under the bill as passed by the House, any fraction resulting from the computation was to be disregarded except that, if the number determined was one-half or more but less than 1, it was to be increased to 1. Under Senate amendment No. 5, fractional numbers are not to be taken into account. The House recedes.

The conferees on the part of the House and on the part of the Senate are concerned about the extent of overwithholding which prevails under existing law and which it appears will continue at a reduced level under the graduated withholding system provided by this bill, even with the withholding allowances as provided in the agreement reached by your conferees. For that reason, it has requested the Treasury Department to continue to survey and study ways and means of reducing overwithholding, particularly in the case of seasonal and intermittent employment, and has asked the Treasury Department, as it gains some experience under the system provided by the bill, to report back from time to time to the House Committee on Ways and Means and the Senate Committee on Finance as to any practicable means of reducing the remaining overwithholding.

Amendment No. 7: Under the bill as passed by the House, an employee's estimated itemized deductions for any estimation year could not be greater than the amount of the deductions (other than the deductions referred to in secs. 141 and 151 of the code and other than the deductions required to be taken into account in determining adjusted gross income under sec. 62 of the code) shown on his Federal income tax return for the taxable year preceding his estimation year. Under Senate amendment No. 7, if the employee did not show such deductions on his return for such preceding taxable year, the amount of his estimated itemized deductions is not to exceed the lesser of \$1,000 or 10 percent of the wages shown on such return. The House recedes.

OPTION OF INDIVIDUALS TO DISREGARD BALANCES DUE AND
OVERPAYMENTS OF \$5 OR LESS

Amendment No. 18: This amendment added a new section 5 to the code under which individuals were given an election to disregard balances due and overpayments of \$5 or less where their withholding and other tax credits and payments of estimated tax for a year were within \$5 of their tax liability for the year as shown on their returns. This election would have been effective for taxable years after 1966.

The Senate recedes.

Although the House conferees did not agree to Senate amendment No. 18, they recognize the desirability of simplifying tax collection and refund procedures, an objective toward which this amendment was directed. For this reason, the conferees, both on the part of the House and on the part of the Senate, are requesting the Treasury Department to study and report back to the House Committee on Ways and Means and the Senate Committee on Finance as to the practicability and desirability of forgoing taxpayments and refunds in cases where the amount due at the time the final return is filed is small because of substantial payments through withholding or payments of estimated tax, or both. This study and report to the committees is to be made in conjunction with the study on ways of relieving overwithholding referred to earlier in this statement.

FLOOR STOCKS TAX ON PASSENGER AUTOMOBILES, ETC.

Amendment No. 19: The bill as passed by the House provided for a floor stocks tax on passenger automobiles and trailers (other than house trailers) suitable for use in connection with passenger automobiles which on the day after the enactment of the bill are held by dealers and have not been used and are intended for sale. Under this provision the tax was 1 percent of the price for which the article was sold by the manufacturer, producer, or importer. The tax was to be paid by the dealer and be collected from him by the manufacturer, producer, or importer. The tax was to be paid at such time after 60 days after the date of enactment of the bill as may be prescribed by the Secretary of the Treasury or his delegate.

Senate amendment No. 19 strikes out this provision of the bill.

The House recedes.

LOCAL RESIDENTIAL TELEPHONE SERVICE

Amendment No. 22: The bill, as passed by the House, increased the tax on communication services to 10 percent (the rate in effect on December 31, 1965) for the period from the effective date of this provision through March 31, 1968. Senate amendment No. 22 provided that this temporary increase was not to apply to local residential telephone service, as defined in the amendment, and that the tax rates provided by existing law (3 percent for calendar year 1966, 2 percent for calendar year 1967, and 1 percent for calendar year 1968) were to continue to apply to this service.

The Senate recedes.

EFFECTIVE DATE OF INCREASE IN COMMUNICATIONS TAX

Amendment No. 26: Under the bill as passed by the House, the amendments made by section 202 of the bill (relating to communication services) were to take effect, under the rules prescribed by the bill, on the first day of the first month which begins more than 15 days after the date on which the bill is enacted. Under Senate amendment No. 26 the effective date is April 1, 1966.

The House recedes.

DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS
TO POLITICAL PARTIES

Amendment No. 33: This amendment adds a new section 276 to the code providing that no deduction otherwise allowable under chapter 1 of the code shall be allowed for any amount paid or incurred for—

(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate,

(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to insure) to or for the use of a political party or a political candidate, or

(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

The new section also defines the term "political party" and provides that proceeds are to be treated as inuring to or for the use of a political candidate only if (a) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and (b) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office). The new section applies to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of the bill.

The House recedes.

INFORMATION RETURNS MADE BY THE DEPARTMENT OF AGRICULTURE

Amendment No. 34: Section 6041(a) of the code now requires information returns to be made by persons engaged in trade or business and by officers and employees of the United States with respect to certain payments of \$600 or more in a taxable year. The return sets forth the amount of the payments and the name and address of the recipient. Senate amendment No. 34 added a new subsection (e) to section 6041 providing (1) that information returns which are required under section 6041(a) with respect to payments under programs administered by the Department of Agriculture are to be rendered by the Secretary of Agriculture or by one or more officers or employees of the Department of Agriculture designated by the Secretary of Agriculture to make such returns on his behalf, and (2) that the Secretary of Agriculture (or the officer or employee rendering the return) is to furnish to each person whose name is set forth in the return a written statement showing the aggregate amount of payments to the person as shown on the return.

The Senate recedes.

Although the conferees on the part of the House, because of problems of administering the amendment, did not agree to Senate amendment No. 34, it was recognized that there is a problem in correlating the different payments which may be made to a farmer during a year at different times or by different offices or agencies of the Department of Agriculture. It was thought that a means should be developed administratively to report with respect to any farmer a total of the payments made to him which should be reported for tax purposes. Also, a study should be made of the feasibility of reporting to the farmer amounts paid to him which are reported to the Internal Revenue Service. These studies should be made by the Department of Agriculture in cooperation with the Department of the Treasury and a report made to the House Committee on Ways and Means and the Senate Committee on Finance early in the next Congress.

SOCIAL SECURITY BENEFITS FOR CERTAIN AGED UNINSURED INDIVIDUALS

Amendment No. 35: This amendment adds a new section to the bill to provide monthly benefit payments under section 202 of the Social Security Act to individuals who meet the requirements of the new provisions. Under the Senate amendment, an individual would be entitled to the new benefits if he has filed application for the benefits and (a) has attained age 70, (b) either (i) is not and would not (upon filing application) be entitled to monthly benefits under existing section 202 for the month in which he attains age 70 or (if later) the month in which he files application for the new benefits, or (ii) is entitled to such benefits but the amount is less than the amount of the new benefits, and (c) is a resident of the United States (as defined in sec. 210(i) of the Social Security Act) and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application for the new benefits.

Under the Senate amendment, the amount of the new monthly benefit would (in effect) be \$44, except that the amount would be \$22 in the case of a married woman whose husband is entitled to the

new benefits. Under the Senate amendment the new provisions would apply for months after September 1966, and section 227 of the Social Security Act (relating to transitional insured status) would be repealed as of the close of September 1966.

The Senate amendment authorized appropriations to be made from time to time to the Federal old-age and survivors insurance trust fund and to the Federal hospital insurance trust fund to place each trust fund in the same position in which it would have been but for the Senate amendment.

Under the conference agreement, the House recedes with an amendment in the nature of a substitute for the Senate amendment. Subsection (a) of section 302 of the bill as agreed to in conference adds a new section 228 to the Social Security Act providing for benefits at age 72 for certain uninsured individuals.

Under subsection (a) of the new section 228 an individual is (subject to the limitations provided by sec. 228) to be entitled to benefits if he—

(1) has attained age 72;

(2) attained such age before 1968 or has not less than three quarters of coverage (whenever acquired) for each calendar year elapsing after 1966 and before the year in which he attained such age;

(3) is a resident of the United States (as defined in the second sentence of subsec. (e) of the new sec. 228), and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as defined in sec. 210(i) of the Social Security Act) continuously during the 5 years immediately preceding the month in which he files application under new section 228; and

(4) has filed application for benefits under new section 228. Entitlement is to begin with the first month after September 1966 in which the individual becomes entitled to such benefits and is to end with the month preceding the month in which he dies.

Subsection (b) of the new section 228 provides that the benefit amount for any month is to be \$35, except that if both husband and wife are entitled (or upon application would be entitled) to benefits under new section 228 for any month, the husband's benefit for such month is to be \$35 and the wife's benefit is to be \$17.50.

Subsection (c) of the new section 228 provides for the reduction of the benefits under this new provision on account of periodic benefits for which the individuals concerned are eligible under governmental pension systems (as defined in new subsec. (h)(2)).

Under paragraph (1) of the new subsection (c) the amount of the new benefit for any individual is first reduced by the periodic benefits under governmental pension systems for which such individual is eligible.

Paragraphs (2) and (3) relate to husbands and wives and in effect provide that the new benefit amount to which one spouse is entitled will be further reduced, in the manner specified, by a portion of the periodic benefits for which the other spouse is eligible under governmental pension systems.

Paragraph (4) of the new subsection (c) provides in effect that, in determining the eligibility of individuals for periodic benefits under governmental pension systems, applications for such benefits shall be

deemed to have been filed and the individuals concerned shall be deemed to have retired.

Paragraph (5) of the new subsection (c) provides that where a periodic benefit is payable on a basis other than a calendar month, the Secretary of Health, Education, and Welfare is to allocate the amount of such benefit to the appropriate calendar months.

Paragraph (6) of the new subsection (c) provides that a monthly benefit amount under the new provision (determined before rounding under new subsec. (c)(7)) of less than \$1 is to be reduced to zero. Where both husband and wife are entitled to benefits under the new provision for the month, their benefit amounts are to be reduced to zero only if, after such amounts are combined (but before rounding under new subsec. (c)(7)), they aggregate less than \$1.

Paragraph (7) of the new subsection (c) provides that any benefit amount which is not a multiple of 10 cents is to be raised to the next higher multiple of 10 cents. In the case of a husband and wife, this rounding provision is to be applied separately to the benefit of each spouse.

Paragraph (8) of the new subsection (c) provides that, under regulations prescribed by the Secretary of Health, Education, and Welfare, where the amount otherwise payable under the new provision to an individual (or to a husband and wife) is less than \$5, that amount may be accumulated. Where the amounts so accumulated equal or exceed \$5, they will become immediately payable.

Subsection (d) of the new section 228 provides, in general, that the benefit to which any individual is entitled under section 228 for any month is not to be paid if he receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act. Such benefit for any month is also not to be paid if such individual's spouse receives such aid or assistance in such month and the needs of such individual were taken into account in determining eligibility for (or the amount of) such aid or assistance.

Subsection (e) of the new section 228 provides that the benefit to which any individual is otherwise entitled under the new section 228 is not to be paid for any month during which the individual is not a resident of the United States. For this purpose, the term "United States" means the 50 States and the District of Columbia.

Subsection (f) of the new section 228 provides that monthly benefits under the new section are to be treated as monthly insurance benefits under section 202 of the Social Security Act for purposes of sections 202(t) (relating to suspension of benefits of aliens who are outside United States), 202(u) (relating to conviction for certain offenses), and 1840 (relating to payment of premiums for supplementary medical insurance benefits). It is to be noted that this treatment (as monthly benefits under sec. 202) does not apply, for example, with respect to section 226 of the Social Security Act (relating to entitlement to hospital insurance benefits) or to section 202(m) of such act (relating to minimum benefits).

Subsection (g) authorizes to be appropriated to the Federal old-age and survivors insurance trust fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

(1) benefit payments made under the new section 228 during the second preceding fiscal year (and all fiscal years prior thereto

which begin after June 30, 1966) to individuals who had less than three quarters of coverage as of the beginning of the calendar year in which falls the month for which such benefit payments were made;

(2) the additional administrative expenses resulting from such benefit payments; and

(3) any loss in interest to such trust fund resulting from such benefit payments and administrative expenses;

in order to place such trust fund in the same position at the end of such fiscal year as it would have been in if such benefit payments had not been made.

Subsection (h) provides definitions for the new section 228.

Paragraph (1) provides that the term "quarter of coverage" includes a quarter of coverage as defined in section 5(l) of the Railroad Retirement Act of 1937.

Paragraph (2) defines the term "governmental pension system" to mean the insurance system established by title II of the Social Security Act or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (a) pensions, (b) retirement or retired pay, or (c) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

Paragraph (3) provides that the term "periodic benefit" includes a benefit payable in a lump sum if it is in commutation of, or a substitute for, periodic payments.

Paragraph (4) provides that the determination of whether an individual is a husband or wife for any month is to be made under the general rules of subsection (h) of section 216 without regard to the special rules in subsections (b) and (f) of such section.

The new subsection (b) of section 302 of the bill, as agreed to in conference, provides that, for purposes of paragraph (4) of the new section 228(a) of the Social Security Act (which requires the filing of an application as a condition of entitlement to the new benefits), applications filed before July of 1966 under section 103 of the Social Security Amendments of 1965 (which provides eligibility for hospital insurance benefits for certain uninsured individuals) shall be treated also as an application for benefits under the new section 228.

DUTY FREE TREATMENT OF GIFTS FROM SERVICEMEN IN COMBAT AREAS

Amendment No. 36: Under existing law (sec. 321(a) of the Tariff Act of 1930) bona fide gifts from abroad may be imported free of duty if the retail value in the country of shipment does not exceed \$10. Senate amendment No. 36 adds a new item to the tariff schedules providing for the temporary duty free entry of articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe. The provision would apply only if the articles are purchased in or through authorized agencies of the Armed Forces of the

United States or in accordance with regulations prescribed by the Secretary of Defense. For purposes of this provision the term "combat zone" is any area designated by the President by an Executive order under section 112(c) of the Internal Revenue Code of 1954 (relating to exclusion from gross income for certain combat pay of members of the Armed Forces). On April 24, 1965, the President designated Vietnam and adjacent waters as a combat zone.

The Senate amendment applies to articles entered after the date of the enactment of the bill and on or before December 31, 1967.

The House recedes with clerical amendments.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

○

which native citizens are not subjected for thus passing the said Isthmus. And, in order to secure to themselves the tranquil and constant enjoyment of these advantages, and as an especial compensation for the said advantages and for the favours they have acquired by the 4th, 5th, and 6th articles of this Treaty, the United States guarantee positively and efficaciously to New Granada, by the present stipulation, the perfect neutrality of the before mentioned Isthmus, with the view that the free transit from the one to the other sea, may not be interrupted or embarrassed in any future time while this Treaty exists; and in consequence, the United States also guarantee, in the same manner, the rights of sovereignty and property which New Granada has and possesses over the said territory.

2d. The present Treaty shall remain in full force and vigor for the term of twenty years, from the day of the exchange of the ratifications; and, from the same day, the treaty that was concluded between the United States and Colombia on the 13th of October 1824, shall cease to have effect, notwithstanding what was disposed in the 1st point of its 31st article.

3rd. Notwithstanding the foregoing, if neither party notifies to the other its intention of reforming any of, or all, the articles of this treaty twelve months before the expiration of the twenty years, stipulated above, the said treaty shall continue binding on both parties, beyond the said twenty years, until twelve months from the time that one of the parties notifies its intention of proceeding to a reform.

4th. If any one or more of the citizens of either party shall infringe any of the articles of this treaty, such citizens shall be held personally responsible for the same, and the harmony and good correspondence between the nations shall not be interrupted thereby; each party engaging in no way to protect the offender, or sanction such violation.

5th. If, unfortunately, any of the articles contained in this treaty should be violated or infringed in any way whatever, it is expressly stipulated that neither of the two contracting parties shall ordain or authorize any acts of reprisal, nor shall declare war against the other on complaints of injuries or damages, until the said party considering itself offended shall have laid before the other a statement of such injuries or damages, verified by competent proofs, demanding justice and satisfaction, and the same shall have been denied, in violation of the laws and of international right.

6th. Any special or remarkable advantage that one or the other power may enjoy, from the foregoing stipulations, are and ought to be always understood in virtue and as in compensation of the obligations they have just contracted, and which have been specified in the first number of this article.

TAX ADJUSTMENT ACT OF 1966— CONFERENCE REPORT

Mr. MILLS submitted the following conference report and statement on the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, and for other purposes:

CONFERENCE REPORT (H. REPT. NO. 1323)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, having met, after full and free conference, have

agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 18, 22, 23, 24, 25, and 34.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 26, 27, 28, 29, 30, 31, 32, and 33; and agree to the same.

Amendment numbered 35: That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 302. BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS.

"(a) MONTHLY BENEFITS.—Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

"Eligibility

"SEC. 228. (a) Every individual who—

"(1) has attained the age of 72,

"(2) (A) attained such age before 1968, or (B) has not less than 3 quarters of coverage, whenever acquired, for each calendar year elapsing after 1966 and before the year in which he attained such age.

"(3) is a resident of the United States (as defined in subsection (e)), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i)) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"(4) has filed application for benefits under this section,

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1968 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section."

"Benefit amount

"(b) (1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be \$35.

"(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be \$35 and the amount of the wife's benefit for such month shall be \$17.50.

"Reduction for governmental pension system benefits

"(c) (1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.

"(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) \$17.50.

"(3) In the case of a husband and wife

both of whom are entitled to benefits under this section for any month—

"(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) \$35, and

"(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) \$17.50.

"(4) For purposes of this subsection, in determining whether an individual is eligible for periodic benefits under a governmental pension system—

"(A) such individual shall be deemed to have filed application for such benefits,

"(B) to the extent that entitlement depends on an application by such individual's spouse, such spouse shall be deemed to have filed application, and

"(C) to the extent that entitlement depends on such individual or his spouse having retired, such individual and his spouse shall be deemed to have retired before the month for which the determination of eligibility is being made.

"(5) For purposes of this subsection, if any periodic benefit is payable on any basis other than a calendar month, the Secretary shall allocate the amount of such benefit to the appropriate calendar months.

"(6) If, under the foregoing provisions of this section, the amount payable for any month would be less than \$1, such amount shall be reduced to zero. In the case of a husband and wife both of whom are entitled to benefits under this section for the month, the preceding sentence shall be applied with respect to the aggregate amount so payable for such month.

"(7) If any benefit amount computed under the foregoing provisions of this section is not a multiple of \$0.10, it shall be raised to the next higher multiple of \$0.10.

"(8) Under regulations prescribed by the Secretary, benefit payments under this section to an individual (or aggregate benefit payments under this section in the case of a husband and wife) of less than \$5 may be accumulated until they equal or exceed \$5.

"Suspension for months in which cash payments are made under public assistance

"(d) The benefit to which any individual is entitled under this section for any month shall not be paid for such month if—

"(1) such individual receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI, or

"(2) such individual's husband or wife receives such aid or assistance in such month, and under the State plan the needs of such individual were taken into account in determining eligibility for (or amount of) such aid or assistance,

unless the State agency administering or supervising the administration of such plan notifies the Secretary, at such time and in such manner as may be prescribed in accordance with regulations of the Secretary, that such payments to such individual (or such individual's husband or wife) under such plan are being terminated with the payment or payments made in such month.

"Suspension where individual is residing outside the United States

"(e) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States. For purposes of this subsection—

tion, the term 'United States' means the 50 States and the District of Columbia.

"Treatment as monthly insurance benefits"

"(f) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.

"Annual reimbursement of Federal Old-Age and Survivors Insurance Trust Fund"

"(g) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

"(1) payments made under this section during the second preceding fiscal year and all fiscal years prior thereto to individuals who, as of the beginning of the calendar year in which falls the month for which payment was made, had less than 3 quarters of coverage,

"(2) the additional administrative expenses resulting from the payments described in paragraph (1), and

"(3) any loss in interest to such Trust Fund resulting from such payments and expenses,

in order to place such Trust Fund in the same position at the end of such fiscal year as it would have been in if such payments had not been made.

"Definitions"

"(h) For purposes of this section—

"(1) The term 'quarters of coverage' includes a quarter of coverage as defined in section 5(1) of the Railroad Retirement Act of 1937.

"(2) The term 'governmental pension system' means the insurance system established by this title or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (A) pensions, (B) retirement or retired pay, or (C) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

"(3) The term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(4) The determination of 'whether an individual is a husband or wife for any month shall be made under subsection (h) of section 216 without regard to subsections (b) and (f) of section 216.'

"(b) CERTAIN APPLICATIONS UNDER 1965 AMENDMENTS.—For purposes of paragraph (4) of section 228(a) of the Social Security Act (added by subsection (a) of this section), an application filed under section 103 of the Social Security Amendments of 1965 before July 1966 shall be regarded as an application under such section 228 and shall, for purposes of such paragraph and of the last sentence of such section 228(a), be deemed to have been filed in July 1966, unless the person by whom or on whose behalf such application was filed notifies the Secretary that he does not want such application so regarded."

And the Senate agree to the same.

Amendment numbered 36: That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with the following amendments:

On page 19 of the Senate engrossed amendments, strike out line 4 and insert:

"SEC. 303. TEMPORARY DUTY-FREE ENTRY FOR GIFTS FROM MEMBERS OF ARMED FORCES IN COMBAT ZONES."

"(a) GIFTS COSTING \$50 OR LESS.—Subpart B of part 1 of the appendix to".

On page 19 of the Senate engrossed amendments, in the matter following line 7, after "may prescribe" insert a comma.

On page 19 of the Senate engrossed amendments, in the fourth line from the bottom of the page, strike out "(b)" and insert:

"(b) CLERICAL AMENDMENT.—"

On page 19 of the Senate engrossed amendments, in the last line, strike out "(c)" and insert:

"(c) EFFECTIVE DATE.—"

And the Senate agree to the same.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

RUSSELL B. LONG,
GEORGE A. SMATHERS,
CLINTON P. ANDERSON,
JOHN J. WILLIAMS,
FRANK CARLSON,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying or conforming changes: 1, 2, 3, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 23, 24, 25, 27, 28, 29, 30, 31, and 32. With respect to these amendments (1) the House recedes, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS

Amendments Nos. 4 and 5: The bill as passed by the House and the Senate permits employees to claim withholding allowances (which are to have the same effect as withholding exemptions for purposes of income tax withholding) equal to the number determined by dividing by \$700 the excess of (1) estimated itemized deductions over (2) an amount equal to the sum of a specified percentage of the first \$7,500 of estimated wages and 17 percent of the remainder of the estimated wages. Under the bill as passed by the House, the percentage of the first \$7,500 of estimated wages was 12 percent. Under Senate amendment No. 4, this percentage is reduced to 10 percent. The House recedes.

Under the bill as passed by the House, any fraction resulting from the computation was to be disregarded except that, if the number determined was one-half or more but less than one, it was to be increased to one. Under Senate amendment No. 5, fractional numbers are not to be taken into account. The House recedes.

The conferees on the part of the House and on the part of the Senate are concerned about the extent of overwithholding which prevails under existing law and which it appears will continue at a reduced level under the graduated withholding system provided by this bill, even with the withholding

allowances as provided in the agreement reached by your conferees. For that reason, it has requested the Treasury Department to continue to survey and study ways and means of reducing overwithholding, particularly in the case of seasonal and intermittent employment, and has asked the Treasury Department, as it gains some experience under the system provided by the bill, to report back from time to time to the House Committee on Ways and Means and the Senate Committee on Finance as to any practicable means of reducing the remaining overwithholding.

Amendment No. 7: Under the bill as passed by the House, an employee's estimated itemized deductions for any estimation year could not be greater than the amount of the deductions (other than the deductions referred to in sections 141 and 151 of the Code and other than the deductions required to be taken into account in determining adjusted gross income under section 62 of the Code) shown on his Federal income tax return for the taxable year preceding his estimation year. Under Senate amendment No. 7, if the employee did not show such deductions on his return for such preceding taxable year, the amount of his estimated itemized deductions is not to exceed the lesser of \$1,000 or 10 percent of the wages shown on such return.

The House recedes.

OPTION OF INDIVIDUALS TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS

Amendment No. 18: This amendment added a new section 5 to the code under which individuals were given an election to disregard balances due and overpayments of \$5 or less where their withholding and other tax credits and payments of estimated tax for a year were within \$5 of their tax liability for the year as shown on their returns. This election would have been effective for taxable years after 1966.

The Senate recedes.

Although the House conferees did not agree to Senate amendment No. 18, they recognize the desirability of simplifying tax collection and refund procedures, an objective toward which this amendment was directed. For this reason, the conferees, both on the part of the House and on the part of the Senate, are requesting the Treasury Department to study and report back to the House Committee on Ways and Means and the Senate Committee on Finance as to the practicability and desirability of foregoing tax payments and refunds in cases where the amount due at the time the final return is filed is small because of substantial payments through withholding or payments of estimated tax, or both. This study and report to the committees is to be made in conjunction with the study on ways of relieving overwithholding referred to earlier in this statement.

FLOOR STOCKS TAX ON PASSENGER AUTOMOBILES, ETC.

Amendment No. 19: The bill as passed by the House provided for a floor stocks tax on passenger automobiles and trailers (other than house trailers) suitable for use in connection with passenger automobiles which on the day after the enactment of the bill are held by dealers and have not been used and are intended for sale. Under this provision the tax was 1 percent of the price for which the article was sold by the manufacturer, producer, or importer. The tax was to be paid by the dealer and be collector from him by the manufacturer, producer, or importer. The tax was to be paid at such time after 60 days after the date of enactment of the bill as may be prescribed by the Secretary of the Treasury or his delegate.

Senate amendment No. 19 strikes out this provision of the bill.

The House recedes.

LOCAL RESIDENTIAL TELEPHONE SERVICE

Amendment No. 22: The bill as passed by the House increased the tax on communication services to 10 percent (the rate in effect on December 31, 1965), for the period from the effective date of this provision through March 31, 1968. Senate amendment No. 22 provided that this temporary increase was not to apply to local residential telephone service, as defined in the amendment, and that the tax rates provided by existing law (3 percent for calendar year 1966, 2 percent for calendar year 1967, and 1 percent for calendar year 1968) were to continue to apply to this service.

The Senate recedes.

EFFECTIVE DATE OF INCREASE IN COMMUNICATIONS TAX

Amendment No. 26: Under the bill as passed by the House, the amendments made by section 202 of the bill (relating to communication services) were to take effect, under the rules prescribed by the bill, on the first day of the first month which begins more than 15 days after the date on which the bill is enacted. Under Senate amendment No. 26 the effective date is April 1, 1966.

The House recedes.

DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES

Amendment No. 33: This amendment adds a new section 276 to the code providing that no deduction otherwise allowable under chapter 1 of the code shall be allowed for any amount paid or incurred for—

"(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate,

"(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate, or

"(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate."

The new section also defines the term "political party" and provides that proceeds are to be treated as inuring to or for the use of a political candidate only if (A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and (B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office). The new section applies to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of the bill.

The House recedes.

INFORMATION RETURNS MADE BY DEPARTMENT OF AGRICULTURE

Amendment No. 34: Section 6041(a) of the code now requires information returns to be made by persons engaged in trade or business and by officers and employees of the United States with respect to certain payments of \$600 or more in a taxable year. The return sets forth the amount of the payments and the name and address of the recipient. Senate amendment No. 34 added a new subsection (e) to section 6041 providing (1) that information returns which are required under section 6041(a) with respect to payments under programs administered by the Department of Agriculture are to be rendered by the Secretary of Agriculture or by one or more officers or employees of the Department of Agriculture designated by the Secretary

of Agriculture to make such returns on his behalf, and (2) that the Secretary of Agriculture (or the officer or employee rendering the return) is to furnish to each person whose name is set forth in the return a written statement showing the aggregate amount of payments to the person as shown on the return.

The Senate recedes.

Although the conferees on the part of the House, because of problems of administering the amendment, did not agree to Senate amendment No. 34, it was recognized that there is a problem in correlating the different payments which may be made to a farmer during a year at different times or by different offices or agencies of the Department of Agriculture. It was thought that a means should be developed administratively to report with respect to any farmer a total of the payments made to him which should be reported for tax purposes. Also, a study should be made of the feasibility of reporting to the farmer amounts paid to him which are reported to the Internal Revenue Service. These studies should be made by the Department of Agriculture in cooperation with the Department of the Treasury and a report made to the House Committee on Ways and Means and the Senate Committee on Finance early in the next Congress.

SOCIAL SECURITY BENEFITS FOR CERTAIN AGED UNINSURED INDIVIDUALS

Amendment No. 35: This amendment adds a new section to the bill to provide monthly benefit payments under section 202 of the Social Security Act to individuals who meet the requirements of the new provisions. Under the Senate amendment, an individual would be entitled to the new benefits if he has filed application for the benefits and (A) has attained age 70, (B) either (1) is not and would not (upon filing application) be entitled to monthly benefits under existing section 202 for the month in which he attains age 70 or (if later) the month in which he files application for the new benefits, or (ii) is entitled to such benefits but the amount is less than the amount of the new benefits, and (C) is a resident of the United States (as defined in section 210(i) of the Social Security Act) and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application for the new benefits.

Under the Senate amendment, the amount of the new monthly benefit would (in effect) be \$44, except that the amount would be \$22 in the case of a married woman whose husband is entitled to the new benefits. Under the Senate amendment the new provisions would apply for months after September 1966, and section 227 of the Social Security Act (relating to transitional insured status) would be repealed as of the close of September 1966.

The Senate amendment authorized appropriations to be made from time to time to the Federal old-age and survivors insurance trust fund and to the Federal hospital insurance trust fund to place each trust fund in the same position in which it would have been but for the Senate amendment.

Under the conference agreement, the House recedes with an amendment in the nature of a substitute for the Senate amendment. Subsection (a) of section 302 of the bill as agreed to in conference adds a new section 228 to the Social Security Act providing for benefits at age 72 for certain uninsured individuals.

Under subsection (a) of the new section 228 an individual is (subject to the limitations provided by section 228) to be entitled to benefits if he—

(1) Has attained age 72,

(2) Attained such age before 1968 or has not less than 3 quarters of coverage (when-ever acquired) for each calendar year elaps-

ing after 1966 and before the year in which he attained such age,

(3) Is a resident of the United States (as defined in the second sentence of subsection (e) of the new section 228), and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i) of the Social Security Act) continuously during the 5 years immediately preceding the month in which he files application under new section 228, and

(4) Has filed application for benefits under new section 228.

Entitlement is to begin with the first month after September 1966 in which the individual becomes entitled to such benefits and is to end with the month preceding the month in which he dies.

Subsection (b) of the new section 228 provides that the benefit amount for any month is to be \$35, except that if both husband and wife are entitled (or upon application would be entitled) to benefits under new section 228 for any month, the husband's benefit for such month is to be \$35 and the wife's benefit is to be \$17.50.

Subsection (c) of the new section 228 provides for the reduction of the benefits under this new provision on account of periodic benefits for which the individuals concerned are eligible under governmental pension systems (as defined in new subsection (h) (2)).

Under paragraph (1) of the new subsection (c) the amount of the new benefit for any individual is first reduced by the periodic benefits under governmental pension systems for which such individual is eligible.

Paragraphs (2) and (3) relate to husbands and wives and in effect provide that the new benefit amount to which one spouse is entitled will be further reduced, in the manner specified, by a portion of the periodic benefits for which the other spouse is eligible under governmental pension systems.

Paragraph (4) of the new subsection (c) provides in effect that, in determining the eligibility of individuals for periodic benefits under governmental pension systems, applications for such benefits shall be deemed to have been filed and the individuals concerned shall be deemed to have retired.

Paragraph (5) of the new subsection (c) provides that where a periodic benefit is payable on a basis other than a calendar month, the Secretary of Health, Education, and Welfare is to allocate the amount of such benefit to the appropriate calendar months.

Paragraph (6) of the new subsection (c) provides that a monthly benefit amount under the new provision (determined before rounding under new subsection (c) (7)) of less than \$1 is to be reduced to zero. Where both husband and wife are entitled to benefits under the new provision for the month, their benefit amounts are to be reduced to zero only if, after such amounts are combined (but before rounding under new subsection (c) (7)), they aggregate less than \$1.

Paragraph (7) of the new subsection (c) provides that any benefit amount which is not a multiple of 10 cents is to be raised to the next higher multiple of 10 cents. In the case of a husband and wife, this rounding provision is to be applied separately to the benefit of each spouse.

Paragraph (8) of the new subsection (c) provides that, under regulations prescribed by the Secretary of Health, Education, and Welfare, where the amount otherwise payable under the new provision to an individual (or to a husband and wife) is less than \$5 that amount may be accumulated. Where the amounts so accumulated equal or exceed \$5, they will become immediately payable.

Subsection (d) of the new section 228 provides, in general, that the benefit to which any individual is entitled under section 228 for any month is not to be paid if he receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act. Such benefit for

any month is also not to be paid if such individual's spouse receives such aid or assistance in such month and the needs of such individual were taken into account in determining eligibility for (or the amount of) such aid or assistance.

Subsection (e) of the new section 228 provides that the benefit to which any individual is otherwise entitled under the new section 228 is not to be paid for any month during which the individual is not a resident of the United States. For this purpose, the term "United States" means the 50 States and the District of Columbia.

Subsection (f) of the new section 228 provides that monthly benefits under the new section are to be treated as monthly insurance benefits under section 202 of the Social Security Act for purposes of sections 202(t) (relating to suspension of benefits of aliens who are outside United States), 202(u) (relating to conviction for certain offenses), and 1840 (relating to payment of premiums for supplementary medical insurance benefits). It is to be noted that this treatment (as monthly benefits under section 202) does not apply, for example, with respect to section 226 of the Social Security Act (relating to entitlement to hospital insurance benefits) or to section 202(m) of such Act (relating to minimum benefits).

Subsection (g) authorizes to be appropriated to the Federal old-age and survivors insurance trust fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

"(1) benefit payments made under the new section 228 during the second preceding fiscal year (and all fiscal years prior thereto which begin after June 30, 1966) to individuals who had less than 3 quarters of coverage as of the beginning of the calendar year in which falls the month for which such benefit payments were made.

"(2) the additional administrative expenses resulting from such benefit payments, and

"(3) any loss in interest to such trust fund resulting from such benefit payments and administrative expenses, in order to place such trust fund in the same position at the end of such fiscal year as it would have been in if such benefit payments had not been made."

Subsection (h) provides definitions for the new section 228.

Paragraph (1) provides that the term "quarter of coverage" includes a quarter of coverage as defined in section 5(1) of the Railroad Retirement Act of 1937.

Paragraph (2) defines the term "governmental pension system" to mean the insurance system established by title II of the Social Security Act or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (A) pensions, (B) retirement or retired pay, or (C) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

Paragraph (3) provides that the term "periodic benefit" includes a benefit payable in a lump sum if it is in commutation of, or a substitute for, periodic payments.

Paragraph (4) provides that the determination of whether an individual is a husband or wife for any month is to be made under the general rules of subsection (h) of section 216 without regard to the special rules in subsections (b) and (f) of such section.

The new subsection (b) of section 302 of the bill, as agreed to in conference, provides that, for purposes of paragraph (4) of the

new section 228(a) of the Social Security Act (which requires the filing of an application as a condition of entitlement to the new benefits), applications filed before July of 1966 under section 103 of the Social Security Amendments of 1965 (which provides eligibility for hospital insurance benefits for certain uninsured individuals) shall be treated also as an application for benefits under the new section 228.

DUTY FREE TREATMENT OF GIFTS FROM SERVICEMEN IN COMBAT AREAS

Amendment No. 36: Under existing law (sec. 321(a) of the Tariff Act of 1930) bona fide gifts from abroad may be imported free of duty if the retail value in the country of shipment does not exceed \$10. Senate amendment No. 36 adds a new item to the Tariff Schedules providing for the temporary duty free entry of articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe. The provision would apply only if the articles are purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the Secretary of Defense. For purposes of this provision the term "combat zone" is any area designated by the President by an executive order under section 112(c) of the Internal Revenue Code of 1954 (relating to exclusion from gross income for certain combat pay of members of the Armed Forces). On April 24, 1965, the President designated Vietnam and adjacent waters as a combat zone.

The Senate amendment applies to articles entered after the date of the enactment of the bill and on or before December 31, 1967. The House recedes with clerical amendments.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. ICHORD, for 1 hour, on Thursday, March 17.

Mr. ANDREWS of North Dakota, for 1 hour, on Wednesday, March 16.

Mr. HALPERN (at the request of Mr. GURNEY), for 15 minutes, today; to revise and extend his remarks and to include extraneous matter.

Mr. HALPERN (at the request of Mr. GURNEY), for 15 minutes, on March 15; to revise and extend his remarks and to include extraneous matter.

Mr. HALPERN (at the request of Mr. GURNEY), for 15 minutes, on March 16; to revise and extend his remarks and to include extraneous matter.

Mr. GOODELL (at the request of Mr. GURNEY), for 15 minutes, today; to revise and extend his remarks and to include extraneous matter, charts and tables.

Mr. CHAMBERLAIN (at the request of Mr. GURNEY), for 10 minutes, on March 15; to revise and extend his remarks and to include extraneous matter.

Mr. FOGARTY (at the request of Mr.

KREBS), for 15 minutes, today; and to revise and extend his remarks and include extraneous matter.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Appendix of the RECORD, or to revise and extend remarks was granted to:

Mr. ROGERS of Texas and to include extraneous matter.

Mr. ZABLOCKI in two instances and to include extraneous matter.

Mr. WRIGHT and to include extraneous matter.

Mrs. MINK (at the request of Mr. MATSUNAGA) to insert her remarks immediately following the remarks of Mr. MATSUNAGA.

Mr. MAHON (at the request of Mr. KREBS) was granted permission to extend his remarks in the RECORD immediately following the appointment of Edward Gardiner Latch, as Chaplain of the House of Representatives.

(The following Members (at the request of Mr. GURNEY) and to include extraneous matter:)

Mr. HALPERN in three instances.

Mr. FINO in two instances.

Mr. YOUNGER.

Mr. QUILLEN.

Mrs. BOLTON.

Mr. ELLSWORTH in two instances.

Mr. LAIRD.

Mr. DERWINSKI in two instances.

Mr. RUMSFELD in two instances.

Mr. DUNCAN of Tennessee.

Mr. EDWARDS of Alabama.

Mr. BROOMFIELD in three instances.

Mr. CHAMBERLAIN.

(The following Members (at the request of Mr. KREBS) and to include extraneous matter:)

Mr. GRIDER in two instances.

Mr. McVICKER.

Mr. TRIMBLE.

Mr. WILLIAM D. FORD in two instances.

Mr. MONAGAN in two instances.

Mr. ULLMAN in five instances.

Mr. REUSS in eight instances.

Mr. CALLAN in two instances.

Mr. HOLLAND.

Mr. MULTER in three instances.

Mr. ANNUNZIO.

Mr. HANSEN of Iowa in six instances.

Mr. FRASER in three instances.

Mr. RACE in two instances.

Mr. STALBAUM.

Mr. NEDZI in four instances.

Mr. ROBERTS.

Mr. HAWKINS.

Mr. GONZALEZ in three instances.

Mr. COLMER.

Mr. DORN in four instances.

Mr. MARSH in three instances.

Mr. O'HARA of Michigan in two instances.

Mr. VANIK in two instances.

Mr. FLOOD.

Mr. BURKE.

Mr. CULVER.

ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
TO BE QUOTED OR CITED)

Issued March 16, 1966
For actions of March 15, 1966
89th-2nd; No. 45

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HIGHLIGHTS: See page 6

SENATE

1. TAXATION. Both Houses agreed to the conference report on H. R. 12752, the proposed Tax Adjustment Act of 1966, which includes a provision for the graduated withholding of income tax from wages. This bill will now be sent to the President. pp. 5539-50, 5693-5709
2. FOREIGN AID. Both Houses received and the Senate agreed to the conference report on H. R. 12169, to authorize supplemental appropriations for the foreign aid program in Vietnam, Laos, Thailand, and the Dominican Republic (H. Rept. 1328). pp. 5714-5, 5572

3. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 6926, to strengthen the financial condition of the Employees' Life Insurance Fund and to provide certain adjustments in amounts of group life and group accidental death and dismemberment insurance for Federal employees (S. Rept. 1071). p. 5638
4. TRANSPORTATION. Sen. Mansfield criticized the current boxcar shortage, particularly with respect to shipments of grain and lumber, and urged action to remedy the situation. Sens. Dirksen, Metcalf, Neuberger, and Carlson commended his remarks. pp. 5634-5
5. SCHOOL MILK; SCHOOL LUNCH. Sens. Proxmire and Fong criticized the school milk and school lunch budget cuts. pp. 5659, 5668-9
6. FOREST ROADS AND TRAILS. Sen. Church urged additional funds to expand the forest roads and trails system and inserted several items on the situation. pp. 5651-5
7. SUGAR. Sens. Pearson, Bennett, and Dominick criticized USDA administration of the sugar program, particularly with regard to sugar imports from foreign countries. pp. 5680-1
8. RESEARCH. Sen. Carlson criticized budget cuts for land-grant colleges and agricultural research and inserted an item in support of his position. pp. 5647-8
Cosponsors were added to S. Res. 231, relating to the distribution of Federal research development funds among the States. p. 5646
9. RECLAMATION. Sen. Moss urged addition funds for reclamation development in the West. pp. 5648-9
10. SENIOR CITIZENS. Received from the Committee on Aging its annual report, "Developments on Aging - 1965" (S. Rept. 1073). p. 5638
11. MARKETING. Sen. Hart spoke in support of proposed truth-in-packaging legislation and inserted a list of organizations supporting the proposal. p. 5673
12. FOOD FOR FREEDOM. Sen. Tydings inserted the testimony of the founder of the Dixie Cup Co. on the proposed Food for Freedom program in which he emphasized "the importance of the U. S. Government tackling the food-population problem on a massive scale forthwith." pp. 5678-9
13. FOREIGN TRADE. Sen. McCarthy inserted an address, "The Competitiveness of American Business in World Markets." pp. 5617-8
14. ADJOURNED until Thurs., Mar. 17. p. 5729

HOUSE

15. APPROPRIATIONS; FOREIGN AID. By a vote of 389 to 3 passed H. R. 13546, the proposed Supplemental Defense Appropriation Act of 1966, which includes \$315 million for AID for economic assistance in Vietnam, Laos, Thailand, and the Dominican Republic. pp. 5550-72

Rep. Morse inserted and discussed a statement by several Republican

teers—Latin America received 3,214—the Near East and South Asia, 1,285, and the Far East, 847.

There are many examples of Peace Corps impact. One is Afghanistan. Nine volunteers went there in 1962 to begin the Peace Corps work. As of June 30, 1965, there were 136 volunteers in Afghanistan, located in 19 different towns and villages. Peace Corps teachers reach nearly 40 percent of all Afghan students at the secondary and university levels.

There are other measures of progress. I am pleased to note that, as the number of volunteers has risen, the cost per volunteer has declined. During fiscal year 1963, for example, the annual cost per volunteer was \$9,074. For 1965 the cost was reduced to \$8,028. The estimate for fiscal year 1966 is \$7,832.

The Peace Corps is the largest producer and consumer of language materials in the world. Since 1961, 20,000 trainees have received instruction in one or more of about 60 languages in the Peace Corps training curriculums. Twenty additional languages are under consideration for inclusion in future training programs.

Since its inception, 150,000 Americans have volunteered for Peace Corps service. Some 15,000 have served abroad in 49 nations.

As of June 30, 1965, 4,545 volunteers had completed service and returned to the United States. Thirty-seven percent of all returned volunteers are continuing their education. Government service is attracting 17.8 percent, while another 16.4 percent are teaching. The remaining 28.5 percent are engaged in private business, nonprofit organizations, and miscellaneous activities.

It is fair to say that the lives of virtually all volunteers have been changed by their service in the Corps. They have become aware—in a unique and profound way—of the bond of suffering and hope that unites men and women on every continent. And they are returning home with a new understanding of their Nation and the world.

No more valuable experience can be gained by any man.

LYNDON B. JOHNSON.
THE WHITE HOUSE, March 14, 1966.

LEGISLATIVE SCHEDULE AND PROPOSED EASTER RECESS

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute.)

Mr. GERALD R. FORD. Mr. Speaker, I ask for this time for the purpose of inquiring of the distinguished majority leader as to any information he can give us as to the schedule at Eastertime.

Mr. ALBERT. Mr. Speaker, will the distinguished minority leader yield to me?

Mr. GERALD R. FORD. I yield to the gentleman.

Mr. ALBERT. Mr. Speaker, I am happy that the gentleman has made this inquiry, because we would like to give the Members the opportunity of having as much advance information as possible. Barring some unforeseen con-

tingency, which we do not expect, I advise the gentleman that it is our plan to recess at the close of business on Thursday, April 7, 1966, and go over until Monday, April 18, 1966.

Mr. GERALD R. FORD. As I understand it, then, we will have business on Thursday, April 7.

Mr. ALBERT. The gentleman is correct.

Mr. GERALD R. FORD. And we will resume with business on Monday, April 18?

Mr. ALBERT. We will have business on Monday, April 18.

Mr. GERALD R. FORD. I thank the distinguished majority leader. I think it is important to be sure that everyone knows we have business on Thursday, April 7, and business on Monday, April 18, which I understand is a day for suspension of the rules.

Mr. ALBERT. That is correct.

PRIVATE CALENDAR

The SPEAKER. This is the call of the Private Calendar.

OSMUNDO CABIGAS

The Clerk called the bill (H.R. 5838) for the relief of Osmundo Cabigas.

Mr. TALCOTT. Mr. Speaker, I ask unanimous consent that this bill may be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

RONALD WHELAN

The Clerk called the bill (H.R. 7141) for the relief of Ronald Whelan.

There being no objection, the Clerk read the bill, as follows:

H.R. 7141

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the limitations of paragraph (1) of subsection (b) of section 2733 of the United States Code or any other statute of limitations, the Secretary of the Army is hereby authorized and directed to receive, consider, and settle the claim of Ronald Whelan, a minor, in accordance with the otherwise applicable provisions of section 2733 of title 10 of the United States Code based upon the injuries and disabilities he suffered as the result of being struck by a United States Army vehicle in Frankfurt, Germany, on or about September 26, 1960; and if found to be meritorious, the claim shall be paid in accordance with the procedures provided in that section. The claim authorized to be considered by this Act shall be filed within one year of the date of approval of this Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RONALD POIRIER, A MINOR

The Clerk called the bill (H.R. 8865) for the relief of Ronald Poirier, a minor.

There being no objection, the Clerk read the bill, as follows:

H.R. 8865

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the legal guardian of Ronald Poirier, a minor, the sum of \$542.10 in full settlement of all claims of the said Ronald Poirier against the United States and Airman First Class Roger Blatchford, and in full and final payment of the judgment and costs docketed in the United States District Court for the District of Massachusetts, in favor of the said Ronald Poirier, a minor, in an action brought in his behalf by his father, Roland Poirier, as his father and next friend, against the said Airman First Class Roger Blatchford for damages for personal injuries growing out of an accident on May 31, 1957, in Springfield, Massachusetts, while said Airman First Class Roger Blatchford was operating an Air Force vehicle and was engaged in his duties as a member of the Air Force. No part of the money appropriated in this Act in excess of 20 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

With the following committee amendment:

Page 2, line 3, after "out" insert "of".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that the further call of the Private Calendar be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER. This concludes the call of the Private Calendar.

TAX ADJUSTMENT ACT OF 1966

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax reductions, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement.

Mr. MILLS (interrupting the reading of the statement). Mr. Speaker, in view of the fact that it is our intention fully to discuss and explain the conference report, I would ask unanimous consent to dispense with further reading of the

statement and ask that the statement be printed in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

(For conference report and statement, see proceedings of the House of Mar. 14, 1966, pp. 5527-5530.)

The SPEAKER. The gentleman from Arkansas is recognized for 1 hour.

Mr. MILLS. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, the conference report which we bring to the House pertains to the bill H.R. 12752, the Tax Adjustment Act of 1966.

GENERAL

Before discussing the conference report in detail, I should like to point out that it has been barely 2 months since the President sent his tax proposals to the Congress. For the second time in 2 years, the Congress has acted with dispatch on a major tax bill. Our target was March 15. If this conference report is agreed to, we will hit that target. What is more, the action this time was on a bill to raise revenue and not on a bill to reduce taxes. Congress has demonstrated, in other words, that it can and will take action quickly, both to lower revenues and to raise them, whenever there is clear evidence of the need for quick action.

Let me turn now to the language as agreed to by the conferees. The conference agreement does not depart to any significant extent from the bill passed by the House on February 23. This is indicated by the fact that the bill as passed by the House provided for an increase in administrative-budget revenues of \$1.2 billion in the fiscal year 1966 and an increase of \$4.8 billion in the fiscal year 1967. The bill as agreed to by the conferees provides for an increase in administrative-budget revenues of \$1.1 billion in the fiscal year 1966 and \$4.8 billion in the fiscal year 1967. There is virtually no difference, then, in terms of revenue between the bill that was passed by the House and the bill agreed to by the conferees. This result is significant, for the bill passed by the Senate provided for substantially less revenue than the bill passed by the House. The Senate-approved bill would have provided \$1.1 billion in administrative-budget revenues in the fiscal year 1966 and only \$3.9 billion in the fiscal year 1967.

The language agreed to by the conferees represents a responsible approach in helping to meet the financial demands of the Vietnam conflict. These demands—which are the sole reason for this bill—cannot be met out of the revenues generated under existing tax rates. Significant additional revenues must be provided. Without these additional revenues, there would be too large a deficit in the budget. Such a deficit, occurring at a time when our economy is once again operating at close to full employment levels and capacity, might generate serious inflationary pressures.

All told, there were 36 numbered Senate amendments to the bill as passed by the House. Sixteen of these amend-

ments, however, were technical, clerical, or conforming in nature. Of the remaining 20 amendments, 8 were connected with 2 relatively minor revisions in the provisions of the House-passed bill.

Of the 12 amendments that I would classify as substantive, the conferees on the part of the Senate agreed to recede on 6. The conferees on the part of the House receded on six of these amendments, three of which concern matters not directly related to the provisions of the bill passed by the House.

SOCIAL SECURITY BENEFITS FOR CERTAIN PERSONS AGED 72 AND OVER

Perhaps the most important Senate amendment to the bill, which in a greatly modified form was agreed to by the conferees, involves a social security amendment and not an income or excise tax matter. That amendment was sponsored by Senator PROUTY. It would have authorized a minimum social security benefit of \$44 a month—\$22 for a wife—to all persons not eligible for social security benefits who have attained age 70 now and in the future. People who qualified for monthly social security benefits of \$35 or \$17.50 under the special transitional insured status provision enacted last year for people already in their seventies would have had their benefits raised to \$44 and \$22. The benefits would have been paid regardless of the entitlement under other Government retirement systems—in other words, on top of any Federal, State, or local pension. It would have called for a first-year expenditure of \$790 million from the general fund in fiscal 1967, \$735 million in fiscal 1968 and so forth for a considerable number of years. The amendment would have resulted in a substantial drain on the railroad retirement account and would have left that system with a very large actuarial deficiency. In addition, it would have made these new benefits available to persons receiving old-age assistance, and, in most cases, their assistance payments would have been reduced by the amount of these benefits with the result that such individuals would not be better off than they now are. The effect of the amendment would have been to shift an additional part of the burden of support of the needy aged from State funds to Federal funds. It would have covered persons aged 70 or over for all future years instead of merely on a transitional basis. It would have repealed the transitional insured status provision which we enacted just last year.

Clearly, this amendment in the form in which it came to us from the other body would have accomplished its basic purpose in a very costly and inefficient manner.

The Senate conferees agreed to extensive modifications to bring it more in line with the legislation which the Congress enacted last year authorizing benefits for certain aged people at age 72 who have as little as three quarters of coverage.

Benefit amount: Under the conference agreement, the benefit amount, as in last year's law, would be \$35 for the husband and \$17.50 for the wife, instead of \$44 and \$22.

Transitional provision: A transitional provision has been included, similar to the one we provided last year for the uninsured aged under hospital insurance, so that persons who attain age 72 in 1968, or later, will be required to have at least three quarters of coverage. Eventually, the number of quarters required will merge with the regular insured status requirements of the law.

Number of persons covered: The provision agreed to by the conferees makes an estimated 370,000 persons who are now 72 or over, or who will reach the age of 72 in either 1966 or 1967, eligible to receive social security benefits who do not now receive such benefits. About two-thirds of these beneficiaries will be women and 80 percent of the women will be widows. Thus, the typical beneficiary might be said to be a widow aged 85, whose husband had been a farmer who died in the early 1950's.

Offset provision: Another modification made by the conference committee would be the imposition of an offset for amounts received under other governmental retirement systems against the entitlement under the new program. The objective is to guarantee to these aged individuals retirement payments of \$35 a month for the husband, \$17.50 for the wife, or a family total of \$52.50. The offset would apply to payments made under Federal, State, or local governmental pension systems, and would include payments of first, pensions; second, retirement or retired pay; or third, annuities or similar amounts payable on account of personal services performed, but would not include any payment under any workers' compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death.

Of course, Mr. Speaker, I should mention that this offset provision will not apply to amounts payable under national service life insurance, or U.S. Government life insurance policies.

Examples of offset: Mr. Speaker, let me illustrate the manner in which this offset would work. First, take the case of a retired State employee, age 72, who is receiving a State pension of \$25 and who has a wife age 72. Under this provision, he would receive an additional \$10, bringing his pension and benefit receipts up to \$35, and his wife would receive a benefit of \$17.50, making a total family income from these sources of \$52.50.

Take another example, an aged retired governmental employee who receives \$10 a month from a local pension and whose wife receives \$30 per month as a retired schoolteacher. Their total income from these other governmental sources is \$40 per month. Under this language, an additional \$12.50 would be payable to the husband, bringing their total up to \$52.50.

A third case shows how this language excludes from the provision retired employees who are receiving substantial amounts from other governmental sources. Take the case of a retired Government employee who is receiving \$300 a month. Under this language, he would not receive additional amounts, nor would

his wife. Or, take the case of a Government employee, age 69, who is still working but who—if he retired—could receive a pension of \$200 per month, and who has a wife age 72. Neither would receive anything under this amendment. Mr. Speaker, I will insert at this point a table showing further illustrations:

ILLUSTRATIONS OF SOCIAL SECURITY BENEFITS PAYABLE UNDER AMENDMENT FOR CASES OF PERSONS RECEIVING GOVERNMENTAL PENSION SYSTEM BENEFITS

Case A-1: Government employee aged 69 working, but eligible for pension of \$100; his wife is aged 72. Neither receive anything under this amendment.

Case A-2: Same as case A-1 except his potential pension is \$40; his wife receives \$12.50 under this amendment.

Case A-3: Same as case A-1, except his potential pension is \$15; his wife receives \$35 under this amendment.

Case B-1: Retired Government employee aged 72, with wife same age, receiving pension of \$80 per month; neither receive anything under this amendment.

Case B-2: Same as case B-1, except husband's pension is \$40; he receives nothing, and his wife receives \$12.50 under this amendment.

Case B-3: Same as Case B-1, except husband's pension is \$20; he receives \$15, and his wife receives \$17.50 under this amendment.

Case C: Husband and wife both aged 72 or over and both receiving Government pensions, as follows:

Government pension		Social security benefit under this bill	
Husband	Wife	Husband	Wife
\$50	\$20		
20	50		
40	10		
10	40		
30	10	\$2.50	\$2.50
10	30	5.00	7.50
		12.50	

FINANCING

Mr. Speaker, let me explain the financing of the conference language. Under this substitute, the financing initially will come from the social security old-age and survivors insurance trust fund, which in turn will be reimbursed from the general fund of the Treasury beginning with the fiscal year ending June 30, 1969, and continuing in this manner for each year. The reimbursements will be for benefit payments to individuals who have less than three quarters of coverage, administrative expenses, and the loss of interest to the trust fund resulting from the benefit payments and administrative expenses. The basic concept, Mr. Speaker, is to place the trust fund in the same position at the end of each fiscal year beginning with June 30, 1969, as it would have been in if such payments had not been made.

In summary, this financing is sounder fiscally and follows more closely the benefit eligibility principles of past social security legislation. It reduces the Prouty amendment general revenue expenditures almost eightfold and will have no budget impact until fiscal 1969.

The first year cost under the Prouty amendment would have been around \$790 million; the first year cost under this amendment will be about \$95 million for fiscal year 1967, and about \$115

million in fiscal year 1968. Thereafter, the cost for each fiscal year will decrease.

EFFECTIVE DATE

Mr. Speaker, the effective date for the benefits under the conference agreement will be for the month of October 1966.

SUMMARY

Mr. Speaker, your conferees believe the approach contained in this conference agreement is far preferable to the language contained in the Prouty amendment.

This approach has a number of advantages—

First. It is in accord with the general approach which we took last year with respect to the transitional insured status provision, and with respect to coverage of the uninsured aged under the hospital insurance provision;

Second. It provides for a washout effect of transitional benefits for the aged which will not inhibit the orderly extension of social security coverage;

Third. It would not substitute Federal funds for State funds as the base of public assistance payments;

Fourth. It will not add to the actuarial burdens of the railroad retirement system;

Fifth. It contains an offset so that inequitable results will not be obtained by putting this benefit on top of and without regard to benefits received under other governmental pension systems; and

Sixth. It will provide real assistance for many of our elderly citizens who are most in need of assistance.

FLOOR STOCK TAX ON AUTOMOBILES

A second important change in the bill passed by the House that was agreed to by the conferees concerns the floor stocks tax on passenger automobiles. The bill passed by the House provided that dealers and distributors would be assessed a tax equal to 1 percent of the manufacturer's price of the cars they held in inventory on the day after the date of enactment of this bill.

The conferees on the part of the House agreed to Senate amendments which delete the floor stocks tax from the bill. On the day following the date of enactment of the bill, the manufacturer's excise tax will rise from 6 to 7 percent with regard only to cars shipped by manufacturers and not with regard to new cars held by dealers or distributors on that date. It is estimated that this amendment will result in the collection of \$25 million less in revenue in the fiscal year 1966 than the bill passed by the House.

WITHHOLDING ALLOWANCES

Two of the Senate amendments agreed to by the conferees on the part of the House concern the procedure for computing withholding allowances. Members will recall that the bill passed by the House included provisions intended to permit persons with relatively large itemized deductions to adjust their withholding in a manner that would prevent excessive overwithholding. The adjustment procedure consists of a method whereby withholding allowances may be claimed. Such allowances are to be

treated as additional withholding exemptions for withholding purposes.

The withholding allowance procedure was developed by the Committee on Ways and Means because its members were concerned about the overwithholding which would otherwise be experienced by some taxpayers as a consequence of the adoption of graduated withholding rates. While the procedure approved by the committee did much to solve the problem, it was felt that even more should be done, particularly for those with incomes of less than \$10,000 who have heavy itemized deductions and therefore would experience significant overwithholding. That is why a committee amendment was offered on the floor of the House when H.R. 12752 was considered. That amendment would have permitted a person whose estimated itemized deductions exceeded the applicable limits—12 percent of estimated wage income up to \$7,500 and 17 percent of estimated wage income above \$7,500—to claim a single withholding allowance if his excess itemized deductions exceeded \$350 rather than a full \$700.

The Senate considered the graduated withholding system further, having the benefit of the earlier deliberations of the House. As a result, the Senate modified the provision adopted on the floor of the House. The Senate amendments require that excess itemized deductions equal a full \$700 before a withholding allowance can be claimed but, to offset this, reduce the percentage upon which excess itemized deductions are based from 12 percent of the first \$7,500 of estimated wage income to 10 percent of such income. No change was made in the 17 percent requirement which applies to estimated wage and salary income in excess of \$7,500.

The conferees on the part of the House agreed to the Senate amendments just explained. It was pointed out that the procedure adopted in the amendment submitted on the floor of the House would have resulted in underwithholding for some persons who were merely trying to reduce overwithholding. The House conferees agreed that it would be unfortunate if a taxpayer found himself faced with an unexpected tax bill at the end of the year simply because he followed an approved procedure for reducing overwithholding. Furthermore, in the opinion of the House conferees the objective of the provision adopted on the floor of the House will be largely achieved by reducing the percentage limit for the computation of excess itemized deductions from 12 to 10 percent of the first \$7,500 of estimated wage income. The latter change will insure that persons with incomes of less than \$10,000 and relatively large itemized deductions have ready access to the withholding allowance procedure.

INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES

The two remaining Senate amendments of importance agreed to by the conferees on the part of the House involve matters not directly related to the provisions of the bill passed by the House. The first of these disallows deductions for indirect contributions to political parties. The amendment is intended to

clear up an area of uncertainty under existing law. It does so by clearly disallowing any deduction for advertising in a convention program of a political party or in any other publication if any part of the net proceeds of the advertising inures to the benefit of a political party or candidate. It also disallows deductions for payments made in connection with any dinner or program if any part of the proceeds inures to the use of a political party or candidate. Finally, it disallows deductions for admission payments to inaugural balls, galas, parades, concerts, or similar events. The amendment applies to taxable years which begin after December 31, 1965, with respect to amounts paid or incurred after the date of enactment of this act. The conferees on the part of the House agreed that it was desirable to remove any uncertainty concerning the deductibility of such payments.

DUTY-FREE GIFTS FROM SERVICEMEN IN COMBAT ZONES

The final Senate amendment of substance that was agreed to by the conferees on the part of the House concerns a tariff provision. It raises the value of gifts which may be sent into this country from abroad without payment of duty from \$10 to \$50 when the gifts are sent by members of our Armed Forces who are serving in a combat zone as designated by the President. In view of the fact that a similar regulation was in effect from December 5, 1942, until July 1, 1961, with respect to gifts from servicemen stationed abroad, the House conferees agreed that this privilege should be extended to our servicemen now in Vietnam.

The \$50 limit will be computed on the basis of retail values in the country of shipment. The Secretary of the Treasury or his delegate is authorized to limit imports of alcoholic beverages and tobacco products. Furthermore, to qualify for the special \$50 exemption limit, the gift articles will have to be purchased in or through authorized agencies of the Armed Forces.

The Treasury Department estimates that this amendment will involve an additional outflow of only \$9 or \$10 mil-

lion as far as the balance of payments is concerned. The reduction in customs duties which will result from this amendment will be negligible. The new provision will apply on articles which enter the country after the date of enactment of this bill. The provision, however, will expire on December 31, 1967.

MISCELLANEOUS CHANGES

I mentioned earlier that eight amendments agreed to by the conferees on the part of the House concerned minor modifications of the provisions in the bill passed by the House. Six of these amendments involve a change in the effective date of the provisions concerning communications services. The bill passed by the House provided that the 10 percent tax on local and toll telephone service and teletypewriter exchange service was to be effective with respect to bills rendered on or after the first day of the first month which begins more than 15 days after the date on which this bill is enacted. The bill as agreed to by the conferees sets April 1, 1966, as the effective date for the communications tax provisions. That is, the 10 percent rate will be in effect on bills for taxable communications services rendered on or after April 1, 1966. Since Congress has acted with dispatch on this bill, the communications tax provision would, in all probability, have gone into effect on April 1 in any case. The modification merely clarifies the exact date on which the new provisions will become effective.

Two other minor technical amendments provide that in computing eligible withholding allowances, a taxpayer who used the standard deduction in the prior year may consider the amount of his itemized deductions for the prior year equalled 10 percent of his wages in that year or \$1,000, whichever is less. These are simply amendments to clarify the provisions of the House bill.

SENATE AMENDMENTS DELETED IN CONFERENCE OPTION OF INDIVIDUAL INCOME TAXPAYERS TO DISREGARD BALANCES DUE AND OVERPAYMENTS OF \$5 OR LESS

The Senate added amendment under which individuals were given an election to disregard balances due and overpay-

ments of \$5 or less where their withholding and other tax credits and payments of estimated income tax for a year were within \$5 of their tax liability for that year as shown on their tax returns. The conferees deleted this amendment. However, the conferees are requesting the Treasury Department to study and report back to the House Committee on Ways and Means and the Senate Committee on Finance as to the practicability and desirability of forgoing tax payments and refunds where the amount due at the time of the final return is small. This study and report is to be made in conjunction with a study on ways of relieving overwithholding which was also directed to be made.

EXEMPTION OF LOCAL RESIDENTIAL TELEPHONE SERVICE FROM RESTORATION OF TAX

The House-passed bill restored temporarily the 10-percent tax on local and long-distance telephone and teletypewriter services. This was the rate in effect prior to January 1, 1966. On January 1, 1966, the rate had dropped from 10 percent to 3 percent. A Senate amendment provided that this temporary restoration of the tax—through March 31, 1968—was not to apply to local residential telephone service. The conferees agreed to delete this amendment.

INFORMATION RETURNS

Under present law persons engaged in a trade or business and officers and employees of the U.S. Government who make payments of \$600 or more to a person are required to file information returns with the Internal Revenue Service. This includes payments made by the Department of Agriculture to farmers. The Senate added an amendment requiring that copies of these information returns in the case of farmers were also to be furnished to the farmers. The conferees deleted this amendment. In this connection, a study is to be made by the Department of Agriculture in cooperation with the Department of the Treasury and a report is to be made to the House Committee on Ways and Means and the Senate Committee on Finance early in the next Congress. This study is to also include the administrative feasibility of making such reports.

REVENUE TABLES AND COMPARISON OF EFFECT OF BILL IN VARIOUS STAGES

Estimated revenue increase and expenditure increase (—) under H.R. 12752 as reported by the Ways and Means Committee, as passed by the House of Representatives, as reported by the Senate Finance Committee, as passed by the Senate, and as reported by the conference; fiscal years 1966 and 1967

[In millions of dollars]

	As reported by the Ways and Means Committee, Feb. 15, 1966		As passed by the House of Representatives, Feb. 23, 1966		As reported by the Senate Finance Commit- tee, Mar. 2, 1966		As passed by the Senate, Mar. 9, 1966		As reported by the con- ference, March 1966	
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967
Excises:										
Communication taxes:										
Local residential telephone		315		315		315				315
Long-distance service and local business telephone service		470		470		470		470		470
Automobile tax:										
Floor stocks	25		25		35		35		35	
Sales on and after effective date	35	420	35	420	35	420	35	420	35	420
Total excises	60	1,205	60	1,205	35	1,205	35	890	35	1,205
Corporate tax speedup	1,000	3,200	1,000	3,200	1,000	3,200	1,000	3,200	1,000	3,200
Graduated withholding for individuals	95	275	95	210	95	245	95	245	95	245
Increase in declaration requirement for indi- viduals from 70 to 80 percent		150		150		150		150		150

Footnotes at end of table.

Estimated revenue increase and expenditure increase (—) under H.R. 12752 as reported by the Ways and Means Committee, as passed by the House of Representatives, as reported by the Senate Finance Committee, as passed by the Senate, and as reported by the conference; fiscal years 1966 and 1967—Continued

[In millions of dollars]

	As reported by the Ways and Means Committee, Feb. 15, 1966		As passed by the House of Representatives, Feb. 23, 1966		As reported by the Senate Finance Committee, Mar. 2, 1966		As passed by the Senate, Mar. 9, 1966		As reported by the conference, March 1966	
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967
Taxpayer election to disregard final tax liability of +\$5 to -\$5							(1)	(1)		
Reimbursement of social security trust fund by general fund for benefits for certain aged individuals								-590		(2)
Total, administrative budget	1,155	4,830	1,155	4,765	1,130	4,800	1,130	3,895	1,130	4,800
Self-employment tax, quarterly declaration payments		200		200		200		200		200
Social security benefits for certain aged individuals								-590		2 -95
Reimbursement of social security trust fund by general fund for benefits for certain aged individuals								590		(2)
Total, cash budget	1,155	5,030	1,155	4,965	1,130	5,000		4,095	1,130	4,905

¹ No revenue impact in fiscal years 1966 and 1967; estimated revenue loss for fiscal year 1968 is \$10 million.

² Reimbursement from the general fund of its share of the benefits payable in fiscal year 1967 does not occur until fiscal year 1969.

Comparison of administrative budget receipts and expenditures with and without H.R. 12752 as reported by the Ways and Means Committee, as passed by the House of Representatives, as reported by the Senate Finance Committee, as passed by the Senate, and as reported by the conference; fiscal years 1966 and 1967¹

[In billions of dollars]

	As reported by the Ways and Means Committee, Feb. 15, 1966		As passed by the House of Representatives, Feb. 23, 1966		As reported by the Senate Finance Committee, Mar. 2, 1966		As passed by the Senate, Mar. 9, 1966		As reported by the conference, Mar. 14, 1966	
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967
Expenditures without bill	106.4	112.8	106.4	112.8	106.4	112.8	106.4	112.8	106.4	112.8
Receipts without bill	98.8	106.2	98.8	106.2	98.8	106.2	98.8	106.2	98.8	106.2
Deficit without bill	7.6	6.7	7.6	6.7	7.6	6.7	7.6	6.7	7.6	6.7
Increase in expenditures under bill	0	0	0	0	0	0	0	2.6	0	(2)
Total expenditures (including those under bill)	106.4	112.8	106.4	112.8	106.4	112.8	106.4	113.4	106.4	112.8
Increase in receipts under bill	1.2	4.8	1.2	4.8	1.1	4.8	1.1	4.5	1.1	4.8
Total receipts (including those under bill)	100.0	111.0	100.0	111.0	100.0	111.0	100.0	110.7	110.0	111.0
Deficit after taking account of revenues and expenditures under bill	6.4	1.8	6.4	1.9	6.5	1.9	6.5	2.8	6.5	1.9

¹ Figures are based on President's budget message, and therefore totals include estimated effects of proposed legislation other than H.R. 12752. Figures are rounded and will not necessarily add to totals.

² As passed by the Senate this figure represents reimbursement in fiscal year 1967 of

social security trust fund by general fund for \$590,000,000 of benefits for certain aged individuals; as reported by the conference the amount and coverage of benefits were reduced and reimbursement by the general fund of the \$95,000,000 of benefits payable in fiscal year 1967 does not occur until fiscal year 1969.

Mr. GERALD R. FORD. Mr. Speaker, will the distinguished gentleman from Arkansas, the chairman of the Committee on Ways and Means, yield?

Mr. MILLS. I am glad to yield to the distinguished minority leader, the gentleman from Michigan.

Mr. GERALD R. FORD. The Secretary of the Treasury made a very significant speech in my State of Michigan yesterday before the Economic Club of the City of Detroit. He talked about taxes, inflation and the problems of our economy. Prior to making that speech he had a press conference and in that press conference, he said the following, and I quote:

My whole speech implies there might be a need for further moderate tax increases depending on the factors I mentioned in the speech.

Has there been any indication by the Secretary to the committee or to the chairman that such a request is in prospect?

Mr. MILLS. Not to me—there has not

been any such indication. We are all concerned, as I know the gentleman from Michigan is concerned, with what the future holds. But none of us, at least I am not capable of adequately predicting what we may have in the future with respect to the costs in Vietnam, for instance. Frankly, I do not know what the future holds in that respect. I think we must keep abreast of what is occurring on a day-to-day basis and do what we can to protect the value of the dollar and to protect other values here in the United States.

I am sure that my friend would say with me that if the time came where it was necessary to prevent inflation to consider a tax bill that we ought to give consideration to it and reach a conclusion based upon what the facts are at that particular time.

Mr. GERALD R. FORD. Do you believe based on the facts as you have seen them so far that there is such a need for the kind of Federal tax increase mentioned by the Secretary?

Mr. MILLS. If the gentleman will remember, during the course of the general debate on the bill itself, the problem as I see it is primarily with respect to the enormous deficit, and I called it enormous, under the present conditions that we have in the fiscal year 1966 on the basis of projection—and that is all we have to go by. For the fiscal year 1967, we have a projected deficit of \$1,800 million and certainly that kind of deficit would not exert as much inflationary pressure as does the present deficit of some \$6½ billion projected for fiscal year 1966. I do not know what the final cost will be in 1967. But I say we must watch it in order to see to it that we take pains to preserve and protect the value of the dollar and avoid any decrease in it and any runaway inflation in prices.

Mr. GERALD R. FORD. One of the problems in this fiscal year as has been well pointed out in the minority views of the Committee on Appropriations on the bill that we will have before us later

today is the fact that the Department of Defense in the last 6 or 12 months has so grossly underestimated its anticipated expenditures. If we go on the basis of experience in the last 12 months and forecast what will happen in the next 12 months based on the figures of the Department of Defense, it does not look too encouraging. The Defense Department expenditure forecasts have badly missed their mark. The spending forecasts were too low and as a result there has been serious upward pressure on our national economy. Better spending forecasts by the Defense Department might have helped the Johnson-Humphrey administration in its decisions in meeting the challenge of inflation. Defense Department spending estimates were wrong. The Nation is in an inflationary spiral. The administration must bear the burden for the errors which have been made.

Mr. MILLS. I caution my friend against reaching any conclusions now about the matter, and I hope that he will not, because regardless of how far off the Department of Defense may have been at some time in the past, I point out realistically how difficult it is for any administration to project what the total costs of Government may be some 12 months or 18 months ahead. We all remember when President Eisenhower in his 1959 budget estimated a half-billion dollar surplus, and it turned out he was off \$12.9 billion, because we had a deficit of \$12.4 billion. I do think that it should be pointed out that there has been in the past 2 or 3 years, with respect to the total rate of spending, some overestimation of that rate of spending in total amount. In the 1965 budget the original estimate was \$97.9. The actual figure was \$96.5 billion. In 1964 the estimate was \$98 billion. The actual figure was \$97.7 billion.

Mr. GERALD R. FORD. I would not necessarily agree, but the record must speak for itself.

Mr. MILLS. If you go over the 2- or 3-year period, I believe you will be able to see that they have been about as accurate as anyone could possibly be, and they have actually overestimated, because we have ended up spending less than the budget suggested we might spend in some of that period of time. Of course, we have had some increases in revenue over what was projected. So the best thing for us at the moment to do is to keep our eyes and ears open and be attuned to the developments that happen from day to day and reach conclusions as to what we should do when we have full information with respect to the coming fiscal year.

Mr. BROCK. Mr. Speaker, will the gentleman yield for clarification of amendment No. 33?

Mr. MILLS. I am glad to yield to the gentleman from Tennessee.

Mr. BROCK. It is my understanding that in certain States there are nonpartisan publications which are published and which receive ads in a standard business fashion. On occasion both political parties perform services for that publication, and they receive payment for

those services. Is it the intention of the gentleman from Arkansas to eliminate that sort of activity on the part of political parties?

For example, there are the distribution services and the sales of the magazine.

Mr. MILLS. If the gentleman will read the statement on page 8 of the report that we prepared in explanation of the amendment, he will get a clearer understanding of what was intended in the amendment.

Does my friend, the gentleman from Wisconsin, wish to respond to the question? Frankly, I do not know what the answer is. Each case depends on the facts. Did the gentleman from Wisconsin follow the question? We were thinking in terms of the publications of each party. Your attention is called to paragraph (1). I do not know just what the situation would be if it were a nonpartisan publication. It depends on where the money goes, mainly.

Mr. BYRNES of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I think the issue is whether there is a potential in revenues from the particular undertaking, be it an advertising venture, a catalog, a ball, or some other activity of that nature—if it has a potential of inuring to the benefit of a political party.

Mr. MILLS. A banquet.

Mr. BYRNES of Wisconsin. Yes, a banquet. Then the expense of that advertising or the expense of the admission charge could not be deducted as a business expense.

Mr. MILLS. In the case which the gentleman mentioned, that, it seems to me, would be in the field of nonpolitical activity. But if the proceeds of that venture inured to the benefit of either or both parties in Tennessee, or to any of the political candidates in Tennessee, the expense would probably not be deductible as I read it.

Mr. BROCK. I did not have particular reference to that point. I am speaking of nonpartisan publications for which both political parties perform services.

Mr. MILLS. You would have to give me more facts and particularly whether or not the proceeds go to the benefit of candidates or a party. If they do, the expense would appear not to be deductible. I want to make it clear that there is uncertainty at the present time.

Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I am glad to yield to the gentleman from Florida.

Mr. PEPPER. As I understand the able chairman, if the conference report is adopted, henceforth advertisements of business groups, business corporations, and business enterprises in publications put out by political parties or their respective units would no longer be tax-deductible?

Mr. MILLS. I do not know whether they are now or not. I would say to my friend from Florida that we are making it clear here that they are not deductible when they inure to the benefit of a politi-

cal party or a political candidate in the future.

Mr. PEPPER. Mr. Speaker, will the gentleman yield for one further question?

Mr. MILLS. I yield to the gentleman from Florida.

Mr. PEPPER. I wonder if the committee, having taken that rather salutary approach, has in any way provided in this conference report for the removal of any exemptions that may now exist for certain radio and publication expense?

Mr. MILLS. No, we have not done anything except what we have done in this amendment we are talking about in that direction.

Mr. PEPPER. I thought since the gentleman from the other body was attempting to stop one source of loss of revenue which was being received for political purposes, consideration might now be given henceforth by the able Ways and Means Committee to publications that are nothing but political publications and radio programs that are nothing but political, and the question as to whether they are entitled tax exemption.

Mr. MILLS. Consideration would have to be given to that in the future. We did not do so here.

Mr. Speaker, I am convinced that the conferees have done the best job that it is possible for them to do with respect to the subject matter of this conference. I would urge the Members of the House to accept the conference report. Let us get the bill signed into law within the period that the committee had as its target date on the commencement. Therefore, I urge you to vote for the conference report.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. BURTON of California. Mr. Speaker, there is a matter affecting California, New York, and two other States. These States have a program called disability insurance.

It is a program paid for entirely by a payroll deduction system. It is financed, as a rule, by employee contributions only.

It provides weekly payments in situations other than work-connected disability and injury. It is quite analogous to the workmen's compensation law, but neither the conference committee nor the gentleman's statement clarified this matter.

Will I be correct in assuming that these unemployment compensation disability payments will be treated just as the workmen compensation payments for purposes of the \$35 payment provisions in the report?

Mr. MILLS. We specifically said, Mr. Speaker, in the conference report that, for purposes of any reduction in the new benefits, workmen's compensation would not be taken into account.

I do not know enough about the gentleman's provision, in the State of California, frankly, to know whether or not benefits under the provision would be taken into account for purposes of the offset. I will have to check with the

gentleman later to find out more detail about his State provisions.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield 10 minutes to the gentleman from Missouri.

Mr. CURTIS. Mr. Speaker, I did not sign the conference report, but I would like to report that as far as the tax aspects of this bill are concerned, which was the bill that passed the House, I think the conferees in conference did a good job. The one feature that was changed was where we accepted a Senate amendment other than a number of technical amendments, I might say, which the Senate offered, which were very necessary to this bill. This one matter of substance that was changed has to do with the floor stock provision for automobiles owned by the dealers amounting to \$25 million.

This is a matter that some of us on our side of the aisle opposed in the Ways and Means Committee in the first place. I am satisfied that this is a better tax bill now, partly for the reason as the chairman explained, but also because the administration's agreement that because we have given the floor stock exemption when the automobile excise tax was lowered, therefore when we increase it we ought to put back the tax on floor stock, is unsound. There are certain things that only go one way and not the other. You can either have a valve or a conduit. This happens to be a valve. The reason for the treatment of the floor stock when the tax went down was that automobile dealers were caught with higher priced inventory, inventory assessed at a higher tax rate than the new automobiles delivered after the tax went down. They could never get rid of that inventory, or at least they would have a difficult problem doing so. So we eased that off and said, "No. The floor stock tax will be waived."

However, when you go in the other direction and you go up with the tax, then the dealers are left with inventory of lower taxed cars. Obviously there is no problem in their getting rid of the floor stock at a lower price. So I was pleased about the elimination in conference of the floor stock tax.

Mr. BYRNES of Wisconsin. Mr. Speaker, will the gentleman yield on that point?

Mr. CURTIS. Yes. I yield.

Mr. BYRNES of Wisconsin. I think it should be pointed out and understood that this tax is one which is assessed against the manufacturer.

Mr. CURTIS. That is right.

Mr. BYRNES of Wisconsin. You cannot impose it on the dealer and still be consistent with the philosophy as to where the impact of the tax is and its nature. It is a manufacturers tax and not a dealers tax to begin with.

Mr. CURTIS. The gentleman is absolutely right. And it became one of the issues in the Ways and Means Committee as to whether we changed that manufacturers tax to a retailers tax. But at any rate, it is an improvement and I wanted to point it out.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. Yes. I will be glad to yield to the chairman of the committee.

Mr. MILLS. The gentleman made the argument in the committee that the committee should not include it in the first place.

Mr. CURTIS. That is right. Now, as to why I have opposed the conference report. I think this is a very serious matter that the House at some time or other is going to have to face up to. We bring these tax bills in here under closed rules on the floor of the House, thus denying really to every Member of the House the opportunity to amend, even under our rules of germaneness in the House, which are fairly strict rules. Then under the procedure followed the bill goes over to the Senate where they have no rules of germaneness or closed rules.

Any Senator can offer an amendment on a tax bill, whether it pertains to the bill or not. Then the matter comes back to the conference and your conferees, who are members of the Committee on Ways and Means, are constantly confronted with material that we have not had an opportunity of studying and have not had the opportunity, really, to give a good opinion on. Now, it so happens that the Constitution prohibits tax measures from originating in the Senate. The Senate does have a right to amend. They have assumed that means they can amend regardless of whether it is germane or not. Now, I am not asking the Senate to adopt the House rule of germaneness, but I am asking that there be a rule of germaneness that applies to this kind of procedure. Otherwise we are constantly confronted with situations like the one that now faces us. There are three nongermane amendments in this conference report. Not only are they not germane, but two of them do not have anything to do with the Internal Revenue Code. We are confronted with this situation.

Now let me point out the question on the benefits of people over the age of 70. That is the way the Senate put it in. This was an amendment that was not even considered in the Senate Finance Committee. It was written on the floor of the Senate. Then it comes in to conference, and obviously it needed changing.

So the conferees attempt to write then and there this new language that you find in the report. The committee or the conferees had to meet yesterday to amend it even further. The point is this is no way to legislate. The objectives may be sound. I could not agree with the objectives on this more because Congressman BYRNES has primarily, and I have joined with him over a period of years in seeking to do something about these people over the age of 70. So has Congressman MILLS.

This was rejected, I might say, in the Social Security Act of 1965, although part of it was in there. However, the technical language used is very important and very serious. The House never considered it and the Ways and Means Committee never considered it and the Senate Finance Committee never considered it. If we want to do proper justice to people over 70 or to any group,

we had better pay attention to what is the orderly way to write legislation.

The amendment in regard to the GI's overseas and what they can send back home duty free is another item. There is no question that if a bill for this purpose were introduced and offered before the Committee on Ways and Means, we would get it in proper language and vote it out and it would pass here unanimously.

It would be considered in the other body in the same way and passed unanimously, and this could become law within a month, but properly drafted and fully considered.

Mr. Speaker, instead of that, this matter is put on a tax bill where it has no business. We had not really considered it. We tried to write this language in conference. I might say that I do not believe we did a very good job.

Again, Mr. Speaker, we want to be for the GI's. That is not the issue. The issue, however, if we really want to help them, is to vote for their interests following an orderly procedure in writing legislation.

Mr. Speaker, finally, as far as the Williams amendment is concerned, this has to do really with the Corrupt Practices Act. There is no question but that this hits at a very small part of the entire problem involved, how political parties and political candidates are financed.

Again, Mr. Speaker, this was written in a fashion where there was not proper consideration given to the entire problem.

Mr. Speaker, the author of the amendment, Senator WILLIAMS, of the other body, admitted it. The Treasury Department said they had not studied it. It is obvious, based upon the few questions asked today on the floor that the House of Representatives has never considered it, and the Committee on Ways and Means has never considered it.

Mr. Speaker, this procedure, in my opinion, makes a shambles of the legislative process.

Now, Mr. Speaker, let me talk as a politician. If we in the House of Representatives want to be able to amend tax bills and have our thoughts made a part of them, we had better start paying attention to either knocking out the closed rule under which we have to consider tax bills, or stand firm on this constitutional right that tax measures can originate only in the House of Representatives. And, if our colleagues in the other body have some ideas as to how they would like to amend tax bills, let them come over and consult with the House Members. I am certain, Mr. Speaker, that any one of us would be happy to accommodate them, and introduce a bill along the line that they would like so that it can be considered by the Committee on Ways and Means, so that it can be considered on the floor of the House, with testimony backing it up at a public hearing, and with a written report upon the bill.

Mr. Speaker, as matters stand here we are considering things in this tax bill that should be properly studied and properly debated.

Finally, Mr. Speaker, I would like to refer to some remarks that the gentle-

man from Michigan [Mr. GERALD R. FORD] directed to the chairman of the Committee on Ways and Means in regard to future tax increases, if I could have the attention of the gentleman.

The gentleman from Michigan [Mr. GERALD R. FORD] asked questions of the chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS] as to whether or not the administration had approached him about tax increases. The chairman of the Committee on Ways and Means replied that it had not. However, it looks very apparent to me that the administration has approached some of our colleagues in the Congress along this line.

This, I feel, is true because, beginning tomorrow, a subcommittee of the Joint Economic Committee, headed by the gentlewoman from Michigan [Mrs. GRIFFITHS] who also serves on the Committee on Ways and Means, plans to hold hearings on this subject of tax increases.

Mr. Speaker, I am a little bit worried about this, because I too am a member of the Joint Economic Committee, and some of my colleagues on the Committee on Ways and Means have been looking at me as if I had something to do with this bypassing of the Committee on Ways and Means.

Let me assure you that I have not, and I have not been a confidant as to the scheduling of this subcommittee's hearings. However, it is very obvious to me that the Secretary of the Treasury and others are behind these hearings that will start tomorrow, to be conducted by the Joint Economic Committee.

Mr. Speaker, I am hopeful that the administration will be a little more forthright in what they are trying to do as far as increased taxes are concerned, even though they will not consult with the chairman of the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman from Arkansas.

Mr. MILLS. It might not be unusual for me not to be considered on every question involving taxes, but let me clarify the gentleman's statement. The gentlewoman from Michigan [Mrs. GRIFFITHS] discussed this matter with me. I believe it was her idea, frankly. I do not think she had to be put up to holding her hearings. She wanted to know if I had any feelings that the hearings should not be held. I told her that it was perfectly all right with me, since any legislation would have to originate in the Committee on Ways and Means along this line anyway.

The SPEAKER pro tempore (Mr. ALBERT). The time of the gentleman from Missouri has expired.

Mr. MILLS. Mr. Speaker, I yield the gentleman 2 additional minutes.

Mr. CURTIS. Mr. Speaker, I thank the gentleman from Arkansas for clarifying this. I believe that is probably so, because the gentlewoman from Michigan [Mrs. GRIFFITHS] has been very interested in this area, and has been quite concerned about the economic aspects of our tax laws. However, if the situation is that way, let me say this: The admin-

istration certainly has seized the opportunity—and it is very clear that they are more than cooperating with the gentlewoman from Michigan [Mrs. GRIFFITHS] in bringing about these hearings. It seems quite clear that the administration, at least, is sending up a trial balloon to see just what reaction there will be to the increased taxes.

I will close my remarks by simply saying we certainly need tightening in the fiscal area. But the other side of fiscal coin other than taxes and debt is expenditures, and the administration still seems completely unconcerned about the necessary reforms in the expenditure area to avert inflation.

Mr. Speaker, I yield back the balance of my time.

Mr. MILLS. Mr. Speaker, I yield 5 minutes to the gentleman from Missouri [Mr. JONES].

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Speaker, I hope I will not use the entire 5 minutes, but I do not wish to let this opportunity pass without making a few brief remarks about this.

Last June when we passed the tax bill, I voted against it. I said at that time that we were not providing for the recouping of losses in that tax bill and I predicted at that time that it would be necessary to have a tax bill to replace the losses. When this bill came up here last month, I voted against it because I felt it was a discrimination when we had eliminated the taxes on many of the luxury items, which were not being restored, although we did reinstate excise taxes on telephones and automobiles.

Now, when the bill comes back here, I think it is a worse bill because of what the gentleman from Missouri [Mr. CURTIS] just said: the way we permit the other body to insert items that are not germane. I hope some time this House will have the intestinal fortitude to adopt a rule that any amendment that is not germane under the rules of the House of Representatives will not even be considered when they are placed in a bill by the other body.

Now, as to the statement about a study for increased taxes, I do not think anybody has to be smart to know that we are going to have another tax bill before this session is out. You do not have to have hearings to arrive at that conclusion. I think it is apparent that we are going to have it. Another thing that I think is very wrong—and someone said how can you vote against a bill that is going to give some old folks some money. If you are laboring under the delusion that you are doing something there under a program that has been studied and planned, you are just as wrong as you can be. Hearings were not held in either House or Senate, and the amendments were adopted on the floor of the Senate.

There are so many things that need to be done with reference to social security that we should not try to correct them by amendments to a tax bill. It does not make sense.

For instance, some time ago I intro-

duced a bill (H.R. 11327), which has been referred to the Committee on Veterans' Affairs, providing that certain social security benefits may be waived and not counted as income. This became necessary when increases under the Social Security Act had the effect of reducing veterans' and widows' benefits by an amount in excess of those increases granted by social security. I do not think this was intentional, and I do believe that this inequity should be corrected.

If we are going to amend the social security laws, let us amend them and help everybody and remove the inequities. But this bill does not remove these inequities at all. It touches on some of them.

Mr. Speaker, these are some of the reasons I am going to vote against this conference report. I hope this administration will have the wisdom to come up here and say: "We need money for Vietnam and we are recommending and advising you to provide an adequate tax to pay for Vietnam, and after that situation is over, take off the tax." That will solve this problem.

Mr. Speaker, it is my opinion that as long as we vote for these makeshift, piecemeal, patchwork type of bills that do not accomplish the announced purposes of the bill, in this case, namely, to raise more revenue for the conduct of the war in Vietnam, we will continue to confuse the taxpayer and make it more difficult to solve the problem.

How much more simple it would be if we would decide just how much money is needed and then provide an increase in the form of a surtax or an "excise" tax on personal and corporation income taxes, with the understanding that after the specific need has been met the tax will be automatically eliminated.

As I have said before, I realize it is so simple it will not be considered by the bureaucrats who make the recommendations to Congress, but I am willing to put my money where my mouth is that before this session of Congress adjourns, the administration will be back to Congress requesting another increase in taxes, and Congress will go along with the request. I don't relish the idea of increasing taxes, and would welcome reductions in expenditures, but I do believe it is better to pay as we go, and face the issues as they arise.

Mr. MILLS. Mr. Speaker, I yield 10 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Speaker, I certainly sympathize with the position taken by the gentleman who just left the floor, and the position taken by my colleague, the gentleman from Missouri [Mr. CURTIS], with respect to the amendments which were put on by the other body which would not have been germane if presented here. In fact we prevent any Member of the House from even proposing such amendments, even if germane, by reason of the fact that we consider this type of legislation in the House under a closed rule.

Of course, this creates a situation which we all recognize is overly fair to the Senate and completely unfair so far

as many Members of the House are concerned.

However, what we are talking about here now is a conference report. There is the problem of compromising between the position taken by the other body and the bill as it passed the House. There were some very adamant positions taken by the Senate.

But I would also point out that here in this tax bill we do have some problems as far as timing is concerned. Should this bill be delayed for any length of time, it could mean that badly needed revenue would be lost as the result of that delay. Frankly, Mr. Speaker, I hope this conference report will be adopted because I think it is essential in view of the current fiscal situation and the inflationary pressures that exist today that we provide the additional revenue that will be produced by this bill.

I would go one step further and say, however, that unless there are some changes made in our thinking in the area of governmental expenditures and Government fiscal policy, we are today on a collision course toward increased taxes. The only question seems to be as to the date when those taxes will be asked for by the administration. Unless there is some retrenchment, and unless there is some recognition that we are in a wartime situation, and must accommodate to that situation and provide for those increased costs of that war, not by increased taxes but by a reduction in expenditures, then the only alternative open to us will be an increase in taxes which I am sure the administration will then recommend. I assume that it will probably try to avoid doing so before the November election. But a tax increase is in the making unless this Congress and this administration at an early date—and today is not too soon—changes some of its attitudes with reference to some of the domestic spending that is being proposed here at home.

For this reason, I think the adoption of this conference report is essential at this time. As I said in the debate on this bill, I do not think at this time we can enjoy the luxury of the alternative as to whether we raise taxes or cut expenditures, because we have already incurred a deficit for fiscal 1966 that approaches \$6.5 billion at a time of unprecedented economic activity. It is too late to change the spending picture for fiscal 1966 to the degree that would obviate the need for this additional revenue.

Today we have no alternative but to provide the increased revenue that is in this bill. But, if we act properly today, we can still have an alternative for the future. We have the alternative of cutting back and retrenching by establishing some priorities for our domestic expenditures, and if we fail in that, the only alternative—and, make no mistake about it—will be an early and heavy increase in taxation to prevent economic chaos in this country.

Let me say just a few words about some of the amendments that were adopted.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Missouri.

Mr. CURTIS. I should like to point out, and I want to see if the gentleman agrees, if there is a heavy increase in taxes, it will have to be partly in individual income taxes. It cannot be done merely in corporate taxes.

Mr. BYRNES of Wisconsin. There is no easy way to increase taxes. Let us make up our minds about that. If we have to get even \$500 million more in revenue, it will be painful and it will be tough. Some of it we will, of course, have to find in the individual income tax sector.

Let me briefly make a few comments about the amendments that were adopted in the Senate.

I agree with my colleague from Missouri that the blanketing-in, that is, the coverage of our older people who, as I have pointed out, were either born too soon or Congress acted too late to provide them with the basic benefits we have provided for the great majority of our people, has long presented a problem that should be taken care of. Some 7 years ago I introduced the first bill to try to remedy this particular problem by a so-called blanketing-in process. What the Senate has done here is to adopt that principle. The conference report is in accord with the general philosophy and general purpose of proposals that I have been making for some 9 or 10 years.

As I have said, I do agree with my colleague from Missouri that it would be much better to do it in the normal procedure. To consider the proposal and report it out by the Ways and Means Committee for passage by this House instead of on the basis of a Senate floor amendment which is then adopted in principle by the conference.

The same thing is true as far as the duty on gifts is concerned.

In both of these cases, however, I must agree fully with the results. It is a step in the right direction. I cannot argue with the merits.

Nor would I argue with the merits of another amendment that was adopted, as far as general principle is concerned. That is the amendment related to the deductibility of an advertising expense that, in a sense, is really intended for political purposes.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from California.

Mr. BURTON of California. I would like to state my most emphatic commendation to the gentleman from Wisconsin for his farsighted, initial, and continuing leadership in the effort to see to it that the older people in our country who have not had the benefit of social security coverage not be penalized in their waning years.

I would hope that the gentleman would pursue his efforts and see to it that the Members of this House have, before the end of this session, an opportunity to expand the concept contained in the conference committee report because, as the gentlemen well knows, this report contains within it a dramatic change in the financing structure of the Social Security Act, but along sound concep-

tional lines. I am sure the gentleman from Wisconsin knows, most lamentably, it is the low-income veteran and it is the low-income person on public assistance that, as a result of the understandable compromise in the conference committee, does not get any increase in weekly or monthly benefits under this bill.

I am certain that the gentleman from Wisconsin shares my concern, that in the effort to correct this injustice that the gentleman from Wisconsin has been battling for so long—an injustice not remedied by this bill as to either first the lower income veteran of this Nation and second, the lower income aged who have to look to public assistance to maintain a minimal standard of living. These are among the people who should receive our primary interest, not our secondary consideration.

I am going to support the conference committee report, noting in fact that in many instances it will be the better-to-do, rather than the worst off of our older people, who are going to get the benefit. I do not quarrel with it. I would merely request that the gentleman from Wisconsin respond to my hope that he will pursue this matter.

Mr. MILLS. Mr. Speaker, will the gentleman from Wisconsin yield?

Mr. BYRNES of Wisconsin. I yield to my chairman.

Mr. MILLS. Mr. Speaker, let me say in the first place that we have not excluded veterans from the benefits of this program. On the contrary, we have specifically provided, in the "definition" subsection that a "governmental pension system," for purposes of the offset, does not include any payment by the Veterans' Administration to disabled veterans for service-connected disability. The conference report, on page 4, states "not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death."

In that instance, we have specifically excluded any such compensation that a veteran may receive in order to determine whether or not he comes up to the \$52.50 of the family's payment.

Then with respect to the people on welfare, the gentleman from Wisconsin recognizes, I am sure, that if we provide this amount for those who are on public assistance, all in the world we will be doing will be, in effect, reducing the amount that the State makes available and increasing the amount that the Federal Government makes available. We would not increase by \$1, in all probability, the total amount that is received by the average recipient from both sources.

I would think that the gentleman from California would appreciate the action of the conference committee in bringing back a proposition that takes care, to the extent that we have, of the people who are without any type of retirement system. Perhaps in time the gentleman from Wisconsin and the gentleman from Arkansas—all of us—will find it possible or advisable to do more. I think that at least this is a good beginning, and the conference committee should be at least commended for making this step.

I want to pay tribute to my friend from Wisconsin for having started the idea of doing something in the later years of their life for these people who, as he said, either were born too soon or the Congress acted too late to bring them under social security.

I remind the Congress that two-thirds of the people we are talking about in total are women, and 80 percent of that two-thirds are widows, signifying the fact that perhaps we did act too late with respect to the coverage of their spouses under social security. Here we are making up, at least, for that failure on our part.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. BURTON of California. Mr. Speaker, I am sure the gentleman from Arkansas does not choose to leave the impression that those receiving the veteran's benefits, apart from the disability payment—the low-income veterans—by definition, those receiving a veteran's pension—as distinguished from disability payments—do not receive a nickel under this proposal. I am certain that the gentleman from Arkansas does not want to leave the record ambiguous in that regard.

Mr. MILLS. Of course I did not want to leave a wrong impression. That is why I read specifically what the conference report states. The gentleman from California is not anymore interested in veterans than are any of the members of this conference. And I do not want him to feel that any of us were deliberately trying to do something to these whom he describes as the poor veterans of the country.

We thought we were making a step in the right direction, that we would provide, out of the general funds of the Treasury, this particular benefit for those people who are included here. We can look at it later on and see whether we should do more and whether it is possible to do so.

Mr. BYRNES of Wisconsin. Mr. Speaker, we have taken a very important step by the action of the conferees toward the problems of these older people who have been our concern for some considerable period of time.

I would hope, with the gentleman, that we would continue to look at the problem that does exist in this area because of factors beyond the control of these people who are today over 72 and who have been left by the side of the road while we were going ahead, making social security universal, while we were increasing benefits, and so on. At least we are moving in the right direction.

I am pleased that the conferees did move at least this far.

I would conclude, Mr. Speaker, by reiterating what I said at the beginning. I would hope that this conference report would be accepted. I think it is essential that we act to pass this bill at the earliest possible date. In my judgment, it is the only responsible thing for this Congress to do.

Mr. POLANCO-ABREU. Mr. Speaker, the conference report on the Tax Adjust-

ment Act of 1966 does not include the aged of Puerto Rico as beneficiaries of the social security amendments added to the bill.

This is a tragic circumstance which must have been an oversight on the part of the conferees who were working under great pressure.

There has been no opportunity for me to obtain an extension of these benefits for the people of Puerto Rico. The social security provisions of the bill were not included in the Tax Adjustment Act of 1966 when it was before the House of Representatives.

The pity of it is that the amendment does not have too much real meaning for most residents of the States or the District of Columbia. It provides for a fill-up pension to \$35 for persons having a pension below this amount from Government sources. However, it would apply to all persons now over 72 who are not now receiving a Government pension and would give them \$35 per month.

In Puerto Rico we have so many elderly citizens to whom \$35 a month would be a godsend in the sense of providing them with the necessities of life.

I am taking immediate corrective action by the introduction of legislation to take care of this situation.

Mr. HICKS. Mr. Speaker, when this bill to reimpose some excise taxes originally appeared on the floor of the House, I voted against it. Not because I am blind to the need for increasing revenues to finance the Vietnam war and to combat inflation, but because I regarded this means of doing so as too little and too late. I voted in protest against a palliative, a treatment of symptoms instead of the disease. Because of some vital changes in the bill by the other body and by the conference committee, I am obliged to change my vote today to "aye."

But I still consider it a palliative. I still think it indicates an unfortunate reluctance to face the issues squarely on the part of the Congress and of the executive branch.

Mr. Speaker, I do not like even to think of raising taxes. Apparently that attitude is not limited to myself. But I am convinced that I must think of it, that all of us must think of it very seriously. And, Mr. Speaker, I do not like to reduce spending on our worthy social program.

But the effect of inflation is both to raise taxes and reduce the effective financing of our social and all other programs. And in respect to inflation, it is later than most of us care to think.

Inflation, Mr. Speaker, to me is worse than a tax increase. At least the increased tax which is taken from the American taxpayer brings more money into the U.S. Treasury. Inflation is a penalty. It takes money from the taxpayer and puts it nowhere. And it takes money from the U.S. Treasury, too, in that it decreases the Government's buying power just as it decreases the individual's buying power.

A tax increase, while odious to all of us, is used for Government purposes. Inflation, just as odious, is a penalty which all of us pay and from which nobody benefits. And it is particularly hard

on the poor and the people who must live on fixed incomes.

I am aware that there is another way to assist in curbing inflation aside from cutting spending and increasing taxes. The other way is wage and price controls.

Such controls will be a last desperate effort in the battle against inflation. None of us wants such controls. That is why we should take other and less painful action while there is still time.

I wish it were not necessary to increase taxes. But inflationary pressure is forcing us to do so, Mr. Speaker, and the need will become intense in a terribly short time. That is the way inflation works, something like a forest fire: it starts small and spreads wildly; it is much easier to put out when it starts than after it has spread.

The fire lookouts already have observed the smoke of the fires of inflation in our economy. I fear the economic forest is dry as tinder, that the wind is rising, that the prospects for rain are dim.

That being the case, it is my belief that right now we should be formulating a program to combat inflation. The administration is taking some action. The Congress is making some motions in this direction. Private interests are acting. But, if I may return to the forest fire analogy once more, our combined actions to date have been in the nature of clearing away smoke. We must face the uncomfortable fact that more drastic action is needed.

If we do not now make ready, at a minimum, standby remedial action with full deliberation and complete attention to all ramifications, we may well find ourselves in the position of being unable to halt inflation before tremendous harm is done, and find ourselves in the equally unhappy condition of overreacting to a situation that has gotten out of hand—and thus probably causing equal harm to the economy in another way.

I repeat, Mr. Speaker, that I am not happy about the prospect of an increase in taxes. If that is what is needed as the lesser of evils, however, then I say we had better face that issue squarely, and begin our deliberations at once.

Mr. CHAMBERLAIN. Mr. Speaker, I shall vote against passage of the conference report on H.R. 12752, the Tax Adjustment Act of 1966.

When this bill was before the House last month I stated that in view of the provision it contains for reimposing excise taxes on automobiles and telephone service, acknowledged by the President to be unfair and burdensome only last year, I simply could not in good conscience support it. At that time nor at this time however, would I want my actions to be interpreted as suggesting in any way an unwillingness to provide the needed funds for our fighting men in South Vietnam. I fully recognize that we are going to need more tax revenue, but I further believe that it can and should be raised on an equitable basis.

Neither should my vote today be construed to indicate a lack of interest and sympathy for certain of the amendments added to this bill by the other body which I would, in fact, be inclined to support

had they come to us on their own two feet and in not such objectionable company.

Mr. Speaker, since I have been in Congress I have protested these discriminatory taxes in good times and bad—in time of budget deficits and budget surpluses. There is simply no right time to vote for an unfair tax. I submit that the administration has not tried hard enough either through economies here at home or through recommendations for tax equality to properly provide the revenue needed to fulfill our most pressing commitments.

Mr. HORTON. Mr. Speaker, since the President's state of the Union message, which contained his request for postponing the repeal of telephone and automobile excise taxes, I have been on record as strongly opposed to reinstituting these regressive taxes as a means of procuring the needed funds to finance the war in Vietnam.

I was most encouraged when the Senate last week adopted the amendment to keep the excise on residential phone service at its present 3-percent rate. Unfortunately, the conference committee deleted the Senate amendment, with the result that the tax on local telephone service will again rise to 10 percent. Without any wavering in my strong support for well-reasoned legislation to obtain the needed additional funds for use in Vietnam, I am reluctant to support the conference report because of the unnecessary burden it places on people in the lower income levels, to whom an automobile and telephone service are necessities, not luxuries, today.

With this hesitation, I have decided to vote in favor of the conference committee's compromise, because of another provision it contains. I am referring to the provision that will provide social security benefits to over 300,000 American citizens who are reaching the age of 72 and are not covered by social security under present law. This provision is an important step in broadening our social security system to cover those who had retired or were near retirement when Congress acted to cover jobs they had held.

I have been urging the passage of this amendment to the Social Security Act for over a year now. Across-the-board monthly benefits for persons reaching age 72 who do not meet normal quarter-coverage requirements was a major part of H.R. 5039, which I introduced last year—many provisions of which were later enacted into Public Law 89-97.

Under this enlightened provision, persons who are not now receiving any State, Federal, or local pension, in most cases persons who are most in need, will receive \$35 monthly through the social security system if they reach age 72 before 1968. For persons reaching age 72 after 1967, this new provision provides that fewer quarters of covered employment will be required for eligibility for social security benefits. Thus, over \$120 million will be made available to persons who qualify under this section.

While I have very serious reservations about the wisdom of reimposing the same excise taxes which Congress worked

so diligently to repeal just last year, I cannot with conscience vote down this very necessary and enlightened step in the broadening of our social security laws to cover needy senior citizens. I am gratified at the inclusion in this report of a major portion of my own social security legislative program.

Thus, with noted reluctance, I am casting my vote in favor of the conference committee's report on the Tax Adjustment Act.

Mr. CLEVELAND. Mr. Speaker, I rise to state that I will again vote, very reluctantly, for this tax increase measure, called the Tax Adjustment Act of 1966. As I stated on February 23, when the bill was first approved by the House—see page 3552 of the RECORD—only the administration's refusal to cut back on its unprecedented high level of domestic spending constrains me to vote for this bill. In this absence of fiscal restraint on the part of the administration, which increases the dangers of inflation it becomes necessary to provide the additional revenues in this legislation. The costs of the war in Vietnam and threat of inflation demands it.

At the same time, I wish to add a word of high praise for the amendment adopted in the Senate to give older persons at least some assistance by extending a measure of social security protection to many of those excluded from the program through no fault of their own. I am proud of the fact that my State's senior Senator, NORRIS COTTON, played such a prominent role in sponsoring this amendment and getting it adopted. With all the money being poured out by the Government on various welfare programs, it is good to know that at least some will now go to relieve the needs of senior citizens directly, without Federal controls or new battalions of bureaucrats. This is an antipoverty measure which I can support. It follows the precedent we established at Republican insistence, when we provided medical care for the elderly not covered by social security.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may include their remarks at this point in the RECORD on the conference report. Also, Mr. Speaker, I ask unanimous consent that I, the gentleman from Missouri [Mr. CURTIS], the gentleman from Wisconsin [Mr. BYRNES], and others who have spoken on this conference report may have permission to revise and extend our remarks and to include certain tables and charts that refer to this conference report.

The SPEAKER pro tempore (Mr. ALBERT). Is there objection to the requests of the gentleman from Arkansas? There was no objection.

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 288, nays 102, not voting 41, as follows:

[Roll No. 36]

YEAS—288

Adams	Gialmo	Murray
Addabbo	Gibbons	Natcher
Albert	Gilbert	Nedzi
Anderson, Ill.	Gilligan	Nix
Anderson, Tenn.	Gonzalez	O'Brien
Annunzio	Goodell	O'Hara, Ill.
Ashley	Grabowski	O'Konski
Aspinall	Gray	Olsen, Mont.
Ayres	Green, Oreg.	Olsen, Minn.
Bandstra	Green, Pa.	O'Neill, Mass.
Barrett	Greigg	Patman
Bates	Grider	Patten
Battin	Griffin	Pelly
Beckworth	Griffiths	Pepper
Belcher	Halpern	Perkins
Betts	Hamilton	Philbin
Bingham	Hanley	Pickle
Blatnik	Hansen, Iowa	Pirnie
Boggs	Hansen, Wash.	Poage
Boland	Hardy	Poff
Brademas	Harvey, Mich.	Price
Bray	Hathaway	Pucinski
Brooks	Hawkins	Purcell
Broomfield	Hays	Quillen
Broyhill, Va.	Hébert	Race
Burke	Hechler	Redlin
Burleson	Helstoski	Rees
Burton, Calif.	Herlong	Reid, N.Y.
Byrne, Pa.	Hicks	Resnick
Byrnes, Wis.	Holland	Reuss
Cabell	Horton	Rhodes, Ariz.
Cahill	Hosmer	Rhodes, Pa.
Callan	Howard	Rivers, S.C.
Callaway	Hull	Rivers, Alaska
Carey	Hungate	Roberts
Carter	Huot	Rodino
Casey	Irwin	Rogers, Colo.
Celler	Jacobs	Rogers, Tex.
Chelf	Jarman	Ronan
Clark	Jennings	Rooney, N.Y.
Clausen,	Joelson	Rooney, Pa.
Don H.	Johnson, Calif.	Rosenthal
Cleveland	Johnson, Okla.	Rostenkowski
Clevenger	Johnson, Pa.	Roush
Cohelan	Jones, Ala.	Ryan
Colmer	Karsten	St Germain
Conte	Karth	St. Onge
Cooley	Kastenmeyer	Saylor
Corbett	Kee	Scheuer
Corman	Keith	Schisler
Craley	Kelly	Schmidhauser
Culver	Keogh	Schneebeli
Curtin	King, Calif.	Schweiker
Daddario	King, Utah	Senner
Dague	Kirwan	Shipley
Daniels	Kluczyński	Shriver
Davis, Wis.	Krebs	Sickles
Dawson	Kunkel	Slack
de la Garza	Kupferman	Smith, Iowa
Dent	Laird	Smith, N.Y.
Denton	Leggett	Smith, Va.
Diggs	Lipscomb	Springer
Dingell	Long, La.	Stafford
Donohue	Long, Md.	Staggers
Dorn	Love	Steed
Dow	McDade	Stratton
Duncan, Oreg.	McDowell	Stubblefield
Duncan, Tenn.	McFall	Sullivan
Dwyer	McGrath	Sweeney
Dyal	Macdonald	Teague, Calif.
Edmondson	Machen	Tenzer
Edwards, Calif.	Mackay	Thompson, N.J.
Edwards, La.	Mackie	Thompson, Tex.
Ellsworth	Madden	Thomson, Wis.
Evans, Colo.	Mahon	Todd
Evins, Tenn.	Mailliard	Trimble
Fallon	Marsh	Tunney
Farbstein	Martin, Mass.	Tupper
Farnsley	Martin, Nebr.	Udall
Farnum	Matsunaga	Ullman
Fascell	May	Van Deerlin
Feighan	Meeds	Vanik
Findley	Mills	Vigorito
Fino	Minish	Vivian
Flood	Mink	Watkins
Flynt	Mize	Watts
Fogarty	Moeller	Whalley
Foley	Monagan	White, Idaho
Ford, Gerald R.	Moore	White, Tex.
Ford,	Moorhead	Widnall
William D.	Morgan	Wilson,
Frelinghuysen	Morris	Charles H.
Friedel	Morrison	Wright
Fulton, Pa.	Morse	Yates
Gallagher	Moss	Young
Garmatz	Multer	Zablocki
Gathings	Murphy, Ill.	
	Murphy, N.Y.	

NAYS—102

Abblitt	Fisher	Passman
Abernethy	Fountain	Pike
Andrews,	Fulton, Tenn.	Quile
George W.	Gettys	Randall
Andrews,	Gross	Reid, Ill.
Glenn	Grover	Reifel
Andrews,	Gubser	Robison
N. Dak.	Gurney	Rogers, Fla.
Arends	Hagan, Ga.	Roybal
Ashbrook	Haley	Rumsfeld
Ashmore	Hall	Satterfield
Bennett	Hansen, Idaho	Scott
Berry	Harsha	Secrest
Bolton	Henderson	Selden
Bow	Hutchinson	Sikes
Brock	Jonas	Skubitz
Brown, Ohio	Jones, Mo.	Smith, Calif.
Broyhill, N.C.	Jones, N.C.	Stalbaum
Buchanan	King, N.Y.	Stanton
Burton, Utah	Kornegay	Stephens
Cameron	Langen	Talcott
Cederberg	Latta	Taylor
Chamberlain	Lennon	Tuck
Clancy	McClory	Tuten
Conable	McCulloch	Utt
Cramer	McEwen	Walker, N. Mex.
Cunningham	McMillan	Watson
Curtis	MacGregor	Weitner
Derwinski	Michel	Whitener
Devine	Minshall	Whitten
Dickinson	Morton	Williams
Dole	Nelsen	Wilson, Bob
Dulski	O'Hara, Mich.	Wolff
Edwards, Ala.	O'Neal, Ga.	Wylder
Erlenborn	Ottinger	Younger

NOT VOTING—41

Adair	Fuqua	Mosher
Baring	Hagen, Calif.	Pool
Bell	Halleck	Powell
Bolling	Hanna	Reinecke
Brown, Calif.	Harvey, Ind.	Roncalio
Clawson, Del.	Holifield	Roudebush
Collier	Ichord	Sisk
Conyers	Landrum	Teague, Tex.
Davis, Ga.	McCarthy	Toll
Delaney	McVicker	Waggoner
Dowdy	Martin, Ala.	Walker, Miss.
Downing	Mathias	Willis
Everett	Matthews	Wyatt
Fraser	Miller	

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Teague of Texas for, with Mr. Waggoner against.

Mr. Downing for, with Mr. Davis of Georgia against.

Mr. Delaney for, with Mr. Roncalio against.

Until further notice:

Mr. Baring with Mr. Harvey of Indiana.
Mr. Holifield with Mr. Collier.
Mr. Sisk with Mr. Adair.
Mr. Miller with Mr. Reinecke.
Mr. Willis with Mr. Roudebush.
Mr. Hagen of California with Mr. Martin of Alabama.

Mr. Brown of California with Mr. Bell.
Mr. Toll with Mr. Wyatt.
Mr. Fuqua with Mr. Mosher.
Mr. Landrum with Mr. Walker of Mississippi.

Mr. Powell with Mr. Fraser.
Mr. Ichord with Mr. Dowdy.
Mr. Matthews with Mr. McVicker.
Mr. Conyers with Mr. McCarthy.
Mr. Hanna with Mr. Pool.

Mr. RUMSFELD, Mr. LANGEN, Mr. BROYHILL of North Carolina, Mr. FOUNTAIN, and Mr. SKUBITZ changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

House Resolution 773, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 773

Resolved, That during the consideration of the bill (H.R. 13546) making supplemental appropriations for the fiscal year ending June 30, 1966, and for other purposes, all points of order against the bill are hereby waived.

The SPEAKER. The gentleman from Texas [Mr. YOUNG] is recognized for 1 hour.

Mr. YOUNG. Mr. Speaker, I yield 30 minutes to the distinguished gentleman from California [Mr. SMITH] pending which I yield myself such time as I may require.

(Mr. YOUNG asked and was given permission to revise and extend his remarks.)

Mr. YOUNG. Mr. Speaker, House Resolution 773 provides that points of order shall be waived in the consideration of H.R. 13546, a bill making supplemental appropriations for the fiscal year ending June 30, 1966, and for other purposes.

Mr. Speaker, H.R. 13546 includes \$13,135,719,000, the amount of the budget estimate for the military assistance and economic assistance programs of the Government directly related to operations in southeast Asia. This involves an increase in the numbers of both military and civilian personnel, the increases in the operation and maintenance costs of men, machines, and structures; the production of aircraft, ordnance, ammunition, and other material; military and construction projects; selected and specialized research and development programs; and also economic assistance.

Mr. Speaker, in this connection I would like to address a question to the chairman of the Committee on Appropriations. I wonder if the chairman would advise the House as to whether or not this bill appropriates a sufficient amount of money to carry on the war in Vietnam.

Mr. MAHON. Mr. Speaker, will the gentleman yield to me?

Mr. YOUNG. I yield to the gentleman.

Mr. MAHON. I believe so, at least for the time being. With the funds included in this bill we will have made available for the current fiscal year a total of about \$61 billion for the Department of Defense. We entered the current fiscal year with about \$30 billion in the hands of the Department of Defense which had not been expended. Most of those funds had been committed for such things as missiles, airplanes, submarines, ships, and other long lead time items. So I would say certainly from the financial standpoint the funds provided here are adequate for the foreseeable future. Of course, we cannot tell whether peace will come or whether war will remain at the present level or whether it will escalate. So we do not know how much additional funds may be required even this year for the further prosecution of this war if it continues.

Mr. YOUNG. Mr. Speaker, I thank the gentleman for that answer. I wanted to point out that all of us are concerned over reports that we hear from

time to time of shortages over in Vietnam. We realize that there are bound to be isolated items of that nature and we want these shortages to be eliminated as soon as possible.

Mr. Speaker, I have here a letter from a constituent of mine, a responsible citizen, who has a son, a lance corporal in the Marine Corps in Vietnam, who is complaining of the lack of jungle boots for the Marine Corps troops over there while the Army has them. I want to ask the chairman to have someone on his staff check on this matter, please?

Mr. MAHON. I would say with respect to equipment and clothing for the men in Vietnam that I know of no real shortage, no significant shortage.

Of course, there may be a temporary shortage at a given place at a given moment. I shall be glad to present this matter to the appropriate officials in the Department of Defense. We conferred at great length with General Greene, the commandant of the Marine Corps, and discussed with him some problems with regard to supplies, but he did not complain of any serious problem of supplies in Vietnam at this time.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. YOUNG. I yield to the gentleman from Iowa.

Mr. GROSS. I believe the hearing record is already clear that the committee does not preclude the introduction of another supplemental appropriation bill with respect to expenditures for this purpose. I seem to get the very definite impression that another supplemental is not precluded at all.

Mr. MAHON. Mr. Speaker, if the gentleman will yield, I do hope to leave the very definite impression that another supplemental is not precluded. In my opinion, and it would be my hope, there will be no further supplemental for fiscal 1966 related to the war in Vietnam, but there may be a supplemental for fiscal 1967. We do not want to give to the Department of Defense a blank check. Last year we did not want to give the Department of Defense billions of dollars for which it could not define a specific use. So we feel, as I am sure the gentleman from Iowa feels, when funds are required the officials of the executive branch should come to the Congress and request the funds, and then we will provide them, as we are undertaking to do in this case. However, no one can predict the future. It has not been possible to predict it in any war which we have fought.

Mr. GROSS. I understand that, but I am not too well satisfied, from a reading of the hearings, that you have adequately financed the situation as it presently stands.

Mr. MAHON. Mr. Speaker, if the gentleman from Texas will yield further, we have just done the best we could under the circumstances.

I must say that in another supplemental bill which will be pending before the House of Representatives, probably before Easter, funds will be carried almost to the extent of \$1 billion because of pay increases for members of the armed services and civilian employees as a result of legislation passed last year.

SUPPLEMENTAL DEFENSE APPROPRIATION BILL, 1966

Mr. YOUNG. Mr. Speaker, by direction of the Committee on Rules, I call up

Government, agency, and miscellaneous securities, Monday, Mar. 14, 1966—Continued

FEDERAL LAND BANK

Rate	Maturity	Bid	Asked	Yield ¹
3 1/4	May 1966	99.24	100.0	3.20
4.35	May 1966	99.28	99.30	4.68
4 1/4	July 1966	99.19	99.23	5.04
4.55	September 1966	99.18	99.22	5.08
4 3/8	December 1966	99.12	99.16	5.04
4 1/8	February 1972-67	94.0	95.0	5.11
4 1/4	February 1967	99.0	99.8	5.08
4	May 1967	98.18	98.26	5.03
4 3/4	August 1967	99.13	99.17	5.09
4 1/8	October 1970-67	96.24	97.24	5.06
4 1/8	October 1967	98.0	98.12	5.19
5 1/8	January 1968	100.0	100.4	5.05
4 1/4	March 1968	98.0	98.12	5.10
4	June 1968	97.4	97.20	5.12
4 1/4	August 1968	97.16	97.28	5.19
4 3/8	March 1969	96.24	97.24	5.19
4 3/8	July 1969	97.16	98.16	5.11
4 1/4	July 1969	96.28	97.8	5.15
4 1/4	October 1969	96.12	96.24	5.25
5 1/8	February 1970	99.24	100.24	4.91
3 1/2	April 1970	93.16	94.16	5.02
5 1/8	July 1970	99.24	100.24	4.93
3 1/2	May 1971	91.24	92.24	5.13
3 3/8	September 1972	92.16	93.16	5.07
4 1/8	February 1978-73	90.24	91.24	5.06
4 3/8	April 1975	93.16	94.16	5.13
5	February 1976	99.12	99.28	5.02

FEDERAL HOME LOAN BANK

Rate	Maturity	Bid	Asked	Yield
4.35	March 1966	99.30	100.00	4.21
4.30	April 1966	99.28	99.30	4.70
4.35	May 1966	99.26	99.28	4.86
4.40	June 1966	99.28	99.28	4.70
4.35	July 1966	99.20	99.22	5.10
4 1/8	August 1966	99.15	99.19	5.09
4.95	August 1966	99.27	99.29	5.13
4.60	September 1966	99.20	99.22	5.13
5.15	October 1966	99.28	99.30	5.24
4	November 1966	99.10	99.14	5.10
4 1/2	January 1967	99.9	99.13	5.20
4 1/4	September 1967	98.16	98.24	5.12
4 3/8	March 1968	98.9	98.13	5.24

BANK FOR CO-OPS

Rate	Maturity	Bid	Asked	Yield
4.35	April 1966	99.30	100.0	4.27
4.40	May 1966	99.28	99.30	4.80
4.50	June 1966	99.27	99.29	4.89
4.95	August 1966	99.27	99.29	5.17

WORLD BANK BONDS

Rate	Maturity	Bid	Asked	Yield
4 1/4	1966	99.12	99.24	4.65
4 3/8	1967	99.10	99.24	4.55
3 3/4	1968	95.24	96.8	5.60

The PRESIDING OFFICER. The question is on the motion of the senior Senator from Massachusetts [Mr. SALTONSTALL] to recommit the bill to committee.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations to postpone certain excise tax rate reductions, and for other purposes.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (S. 2614) to provide for U.S. participation in the 1967 statewide celebration of the centennial of the Alaska Purchase, and it was signed by the Vice President.

TAX ADJUSTMENT ACT OF 1966—
CONFERENCE REPORT

Mr. LONG of Louisiana. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income

WORLD BANK BONDS—Continued

Rate	Maturity	Bid	Asked	Yield
3 1/4	1969	95.16	96.0	5.00
3 1/2	1971	92.0	92.16	5.04
3 1/2	1972	88.0	88.24	5.10
4 1/4	1973	95.0	96.0	5.13
4 3/8	1975	86.0	86.24	4.52
3 3/8	1976	84.0	84.24	4.94
4 1/4	1977	94.16	95.16	5.05
4 1/4	1978	90.24	91.24	5.18
4 1/4	1979	90.16	91.16	5.16
4 1/4	1980	96.0	97.0	5.04
3 1/2	1981	83.0	84.0	4.71
4 1/4	1982	95.8	96.0	4.86
5	1985	98.24	99.16	5.04
4 1/2	1990	91.0	91.24	5.10

INTER-AMERICAN DEVELOPMENT BANK

Rate	Maturity	Bid	Asked	Yield
4 1/4	December 1982	90.0	91.0	5.05
4 1/4	April 1984	93.0	94.0	5.00
4 1/2	November 1984	93.0	94.0	5.00

FNMA NOTES AND DEBENTURES

Rate	Maturity	Bid	Asked	Yield
4 1/4	December 1966	99.0	99.8	5.17
5	February 1967	99.27	99.31	5.03
4 1/4	May 1967	99.30	100.6	5.12
4 1/4	October 1967	98.16	99.0	5.16
3 3/8	March 1968	96.16	97.0	5.23
4 3/8	April 1969	97.0	97.10	5.09
4 3/8	April 1970	97.12	97.28	5.21
4 1/8	September 1970	94.28	95.12	5.29
4 1/8	August 1971	94.8	94.24	5.25
4 1/2	September 1971	95.28	96.12	5.25
5 1/8	February 1972	99.22	99.28	5.15
4 3/8	June 1972	95.12	95.28	5.15
4 1/4	February 1977	94.16	95.0	5.10

FIC BANK DEBENTURES

Rate	Maturity	Bid	Asked	Yield
4.35	Apr. 4	99.30	100.0	4.22
4.30	May 2	99.28	99.30	4.65
4.35	June 1	99.26	99.28	4.83
4.35	July 5	99.23	99.27	4.97
4.45	Aug. 1	99.20	99.23	5.11
4.60	Sept. 1	99.21	99.23	5.15
4.90	Oct. 3	99.26	99.28	5.08
5	Nov. 1	99.27	99.29	5.12
5.15	Dec. 1	99.28	99.30	4.24

¹ Yield to call date.

NOTE.—Over-the-counter quotations source on request.

tax by corporations, to postpone certain excise tax rate reductions, and for other purposes. I ask unanimous consent for the present consideration of the report.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. WILLIAMS of Delaware. Will the Senator yield so that we may have a quorum call in order to alert Senators that the tax measure is before the Senate?

Mr. LONG of Louisiana. Yes, after the conference report is laid before the Senate.

Mr. WILLIAMS of Delaware. Surely. The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of Mar. 14, 1966, pp. 5527-5528, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, we have before the Senate at the present time the conference report on H.R. 12752, the Tax Adjustment Act of 1966. This is the bill that was passed by the Senate only last Wednesday. As you can see, the conferees acted expeditiously, and the legislative history demonstrates once again that the Congress can act on tax legislation with dispatch appropriate to the occasion.

It is just 2 months since the President sent his recommendations to the Congress. These recommendations, unlike those which resulted in the Excise Tax Reduction Act of 1965, called for raising tax revenues through excise tax increases and revisions in the timing of current payments of individual and corporation income taxes. Careful consideration was given to the President's recommendations and their objectives, but Congress did not overlook the effect of those provisions which would cause unusual difficulties for taxpayers.

The bill, as agreed to by the conferees, does not depart appreciably from the revenue raising objectives of the President's recommendations. The conference report will raise \$1,130 million in revenue in fiscal year 1966, and \$4,800 million for the administrative budget, and a net additional \$105 million for the social security trust fund in fiscal year 1967.

There were 36 amendments added to the House bill by the Senate, 14 of which involved technical amendments or corrections of clerical errors. The House readily concurred with the Senate's action on them. The remaining 22 amendments concerned 10 substantive provisions from which the House receded on 7, and the Senate receded on 3.

Three of these ten substantive issues were related to the introduction of the graduated withholding schedules on wage and salary income. The first issue represented Finance Committee amendments modifying the withholding allowances on graduated withholding for those with large itemized deductions. These amendments simplified the calculation of the withholding allowance by reducing the percentage on the first \$7,500 of income above which allowances are taken into account from 12 percent to 10 percent. They also reduced the underwithholding implicit in the House-passed provision by requiring a full \$700 excess of itemized deductions over the percentage minimum base before the first withholding allowance could be claimed.

These adjustments met the requirement of reducing overwithholding on taxpayers in the \$5,000 to \$10,000 income class without providing underwithholding to any significant degree. The House receded on these amendments which will increase revenues by \$35 million in fiscal year 1967.

On the second issue, the House also receded on Senate amendments added by the Finance Committee which provide a procedure for determining the withholding allowance for itemized deductions by taxpayers who used the standard deduction in the preceding year. The taxpayer in this case may treat as itemized deductions for the prior year the lesser of 10 percent of wages shown on his return for that year, or \$1,000.

The third issue relates to the option of taxpayers to disregard a difference of up to \$5 between the tax liability shown on their return and the amount of withholding and declaration payments that they have made. This was a floor amendment submitted by the junior Senator from Louisiana. In the discussions in conference, the House conferees pointed out that it involved a revenue loss of \$10 million, which was not directly associated with any consideration of taxpayer equity. The House conferees urged further that it would be preferable to allow some passage of time to test how the withholding schedule in the bill would function and to check the accuracy of the system relative to the final tax liability. We can reconsider this provision after we have had that experience, if we find that a large number of taxpayers find themselves within this \$5 range of their final tax liability and that the revenue losses involved for the Internal Revenue Service for the forgiveness of up to \$5 is not large. Accordingly, your conferees receded on this amendment, with the understanding that the Treasury Department will conduct a thorough study of its feasibility.

On the fourth, the House receded on Finance Committee amendments which deleted a provision imposing a floor stock tax on 1 percent on passenger automobiles in the hands of dealers on the day the increased excise tax is to become effective on automobiles.

On the fifth issue also the House conferees receded on a Senate floor amendment that made April 1, 1966, the effective date for the restoration of the excise tax on telephone and teletypewriter service to 10 percent.

The sixth issue concerned the amendment the Finance Committee added to the bill which would allow deductions from income tax for certain indirect contributions to political parties. That was the amendment by the Senator from Delaware [Mr. WILLIAMS]. The House conferees also receded on this amendment.

The seventh issue involved the amendment the Senate Finance Committee added which would require the Department of Agriculture to supply farmers who receive \$600 or more of annual payments under programs administered by the Department with copies of the same information returns which it presently is required to send to the Internal Revenue

Service. The House conferees understood the problem at which the amendment was directed, but they insisted that it deserved careful, systematic study before legislation. Your conferees receded with the understanding that a study of the subject would be instituted.

The House conferees also receded to the Senate on the eighth issue—a floor amendment offered by Senator TOWER to raise the exemption level from duty for gifts sent by members of the Armed Forces serving in a combat zone to \$50 retail value, from the present \$10 exemption level applicable to all other U.S. citizens who send bona fide gifts to this country from abroad. The \$50 duty-free provision will apply to articles purchased in or through authorized agencies of the Armed Forces and which enter the United States after the date of enactment, but on or before December 31, 1967. It is estimated that this will involve an additional outflow of \$10 million with respect to the balance of payments, but its effect on customs duties will be negligible.

The two remaining amendments adopted by the Senate involve substantial amounts of money—a revenue loss of \$315 million a year on local, residential telephone service and increased expenditures of \$790 million for broadening coverage under the social security system for persons 70 years or older presently ineligible for its minimum benefits. The conferees from the House, since both of these involved a large loss in the net funds which would otherwise be obtained under the bill, resisted them strongly.

With respect to the floor amendment offered by the Senator from Indiana [Mr. HARTKE] to retain the present 3 percent excise tax on local residential telephone service, the House conferees maintained that the \$315 million revenue loss in fiscal year 1967 is much too great to sustain in a bill designed to increase revenues to avoid inflation in this period of increased military commitment. They also believed that since this tax will affect almost all the taxpayers in this country, its burden will be spread broadly and therefore not be particularly burdensome with respect to any single taxpayer or group of taxpayers. The House conferees were adamant about retaining this provision, and your conferees finally receded, but only after substantial concessions were obtained on the amendment I am about to discuss.

Mr. President, we found the House conferees were strongly opposed to the amendment offered by the Senator from Vermont [Mr. PROUTY] to provide persons age 70 years or older with monthly social security benefits of \$44 and an additional \$22 for a spouse.

The House conferees pointed out that this Senate amendment was drafted with loose language involving extremely complex considerations. They pointed out these aspects had broad implications which had not been fully considered. They further pointed out that neither the Finance Committee nor the Ways and Means Committee had held hearings on its provisions to determine the full extent of the problems of the elderly poor, that is, how many are without any

retirement or assistance benefits, how many receive inadequate benefits, or how the Congress best can meet their needs?

The House conferees pointed out that this amendment provided benefits for many more persons than the needy aged now inadequately provided for under other systems. They noted that its provisions seriously contradicted the fundamental concepts of the self-supporting, contributory social security system, in that it did not require any minimum eligibility in covered work. They indicated that it repealed the transitional requirements for persons 72 years or older enacted last year, provided greater monthly benefits than the \$35 a month made available to them last year, and authorized payment of this benefit in addition to other benefits an aged person may be receiving under pension plans.

Because of this feature, the Railroad Retirement Board estimated that the Prouty amendment as passed by the Senate would have cost the Railroad Retirement Fund \$170 million in the first year and approximately \$90 million yearly on a level basis thereafter. The chairman of the Subcommittee Railroad Retirement of the Committee on Labor and Public Welfare, the Honorable CLAIBORNE PELL, advised me that such additional benefit payments could have put the Railroad Retirement Fund in an unsound actuarial position, and that he strongly supports the conference substitute.

After considerable discussion and consideration, the conferees worked out a substitute for the Senate amendment. This substitute achieves the basic objective sought by the Senator from Vermont. It provides social security benefits for aged retired persons who do not now receive adequate benefits under any Government retirement program.

Under the conference agreement, an estimated 370,000 persons who become 72 before 1968 may qualify for a \$35 monthly benefit—plus \$17.50 for a spouse 72 or over—if they are not otherwise eligible for social security benefits.

The hardship cases recited by Senator PROUTY during discussion of his amendment are included among the 370,000 aged persons to which the conference substitute applies. These are persons who either do not receive any benefits from another public retirement system, or who receive less than \$35 a month, \$52.50 a month for married couples.

Individuals age 72 and over who receive less than \$35 a month from Federal, State, or local government retirement systems will have their benefits built up to \$35 per month under the conference agreement. Similarly, married couples aged 72 and over who receive less than \$52.50 per month under Government retirement systems will have their aggregate benefit built up to \$52.50.

Persons who receive old-age assistance under any Federal-State aid program will not be eligible for the \$35 payment under the conference substitute while they are receiving the assistance. However, they may receive the \$35 benefit in the event cash assistance should be terminated. Veterans and widows receiving compensation payments from the

Veterans' Administration for service-connected disability or death will be eligible for the monthly \$35 or \$52.50 benefit without regard to these VA payments. Similarly, receipt of workmen's compensation will not reduce an eligible individual's benefits.

The conference substitute merges the provisions of this amendment with the existing provisions of the Social Security Act. Thus, individuals who become 72 before 1968 may qualify for the \$35 monthly benefit without covered work contributions, persons who reach 72 in 1968 must have three quarters of covered work. Persons who reach 72 in 1969 will need six quarters of covered work, and those reaching 72 in 1970 will need nine quarters of coverage, and thereafter three additional quarters a year until the permanent maximum level is reached.

Those eligible this year may apply for benefits beginning in July, and the first benefit payments will be made sometime in November 1966. The initial benefit payments will come from accrued reserve funds in the old-age and survivors insurance trust fund. In fiscal year 1968, the actual payments will be totaled, and an appropriation equal to the total payments plus interest will be requested in the next budget to enable the general fund to reimburse the trust fund for these expenditures. The first year cost—for three quarters of fiscal year 1967—is estimated at \$95 million. Under the procedure for reimbursement, the first payments from the general fund will be made to the trust fund in fiscal year 1969. The estimated cost in the second year is \$115 million, which will be incurred by the trust fund in fiscal year 1968. This cost will be reimbursed to the trust fund from the budget for fiscal year 1970. Thereafter the cost will decline by about \$10 million per year.

CONCLUSION

Mr. President, as conferees on the part of the Senate, I and the other Senate conferees fulfilled our obligation to the best of our abilities. We represented the Senate on these amendments without regard to what our personal position had been with respect to them during the Senate consideration. This is the practice that I intend to follow at all times.

As I indicated earlier in my statement, 10 substantive amendments were made by the Senate, and the conferees succeeded in maintaining the Senate position on all but three of these amendments. One of the three on which we did not insist was my own amendment, the amendment which would have made it unnecessary for taxpayers to pay amounts of less than \$5 where withholding or declaration payments accounted for most of their tax liability. The second amendment on which we failed to obtain House conferee approval was an amendment offered by another Senate conferee, the senior Senator from Delaware [Mr. WILLIAMS]. Technically, this was a Finance Committee amendment but was one offered by the senior Senator from Delaware in the committee consideration, agreed to by the committee, adopted by the Senate, and taken to conference. I am referring

to the amendment he offered to require reporting by the Department of Agriculture to farmers with respect to payments made to them which they must take into account for tax purposes.

Apart from these two amendments—my own amendment and the amendment of my fellow conferee—we brought back to the Senate all but one of the amendments placed on this bill by this body. It was impossible to bring back both the amendment retaining the local telephone tax at 3 percent and the Prouty social security amendment. The House conferees were completely unwilling to lose the more than \$1 billion which these two amendments would have entailed in the form as passed by the Senate. We did, however, bring back the heart of the Prouty amendment, because we are providing minimal social security coverage to all persons over age 72 who do not already receive this minimal amount in the form of some other governmental pension—be it a military, Federal civil service, or State or local government pension. Even persons receiving old-age assistance can obtain such a pension in lieu of their public assistance payment if the pension is larger.

I believe that we have brought back the maximum amount possible as a result of our conference with the House. We have done this at the same time that we have managed to provide the additional revenue necessary for the Government in the period immediately ahead.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. Since we do not have a printed conference report, will the Senator from Louisiana state for the RECORD, if he has not already stated it, the difference between the original request of the administration and the amount agreed to in the report, apart from the social security amendment, which I think I understand?

Mr. LONG of Louisiana. In terms of the administrative budget, the amount resulting from the conference action is almost the same as the recommendation of the President.

Mr. HOLLAND. As I understood from the press yesterday, when a short statement appeared on the news ticker, the President's request originally involved slightly more than \$6 billion a year, both in increased taxes and advance payments, while as reported by the conference committee the amount was reduced to about \$5.9 billion.

Mr. LONG of Louisiana. It is \$5,930 million. The President's recommendation was, roughly, \$6 billion, and the amount provided in the conference report is about \$5,930 million. So the difference is about \$70 million.

Mr. HOLLAND. I thank the Senator.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HARTKE. In view of the fact that the conference committee decided to continue the selective sacrifice method of taxation on telephone service and automobiles, rather than to approach the question as a comprehensive tax policy,

I wonder if the Senator from Louisiana, both in his capacity as chairman of the Committee on Finance and as assistant majority leader, has any special information he can give the Senate as to future tax laws, especially in view of the fact that the Secretary of the Treasury yesterday, in a statement to the Economic Club of Detroit, indicated a possibility that new taxes would be necessary.

Mr. LONG of Louisiana. I know of no plan presented to the Committee on Finance for any increase in taxes. I am not saying that among Senators or among Members of the House someone might not have a plan for tax adjustment, one way or another; but I do not know of any plan before the Finance Committee for any general increase in taxes.

So far as the conference was concerned, as the Senator from Indiana well knows, the Senate had adopted an amendment that provided for the repeal of the floor stock tax on automobiles, and we succeeded in persuading the House to accept that amendment. As a result we made at least that much headway in the direction in which the Senator from Indiana would like to see us move.

Mr. HARTKE. Yes; but does the Senator from Louisiana, in his capacity as a member of the leadership of this body, have any information from the Treasury as to any plan they are pursuing with respect to future taxation: whether any plan will be submitted to Congress, and whether the Committee on Finance will have an opportunity to discuss this matter on a later date? Is a study in depth to be made at the recommendation of the Treasury or the recommendation of the committee?

Mr. LONG of Louisiana. I can only say that the Treasury has presented no plans either to the committee or to me to increase any tax. I am sure that the Treasury is constantly studying the situation and, if it determines that it is necessary to raise taxes it will recommend this to us.

However, I think it is safe to say that as of this time no recommendation is before us for a tax increase beyond what is provided in this bill.

Mr. HARTKE. Does the Senator from Louisiana have any information to indicate any change in the estimate of the cost of the war in Vietnam or any change in aspects in this regard which would indicate that we could expect or anticipate in the reasonably near future a change in the present overall budget toward an increase in general taxation?

I am not speaking about the correction of inequities and fairness in administration, which I am sure the Senator from Louisiana would always welcome, as would the Senator from Indiana. However, with regard to the cost of the war in Vietnam, do we have any more definitive figure? Has the Secretary of Defense submitted any further information which would define the matter more specifically? Has the Director of the Budget given any indication that he has a better estimate as to what we may expect within the next 4 or 5 months, an estimate which would be more in line with anticipations and more reasonable?

It will be recalled that when we adjourned last fall, we found, within a period of less than 6 months, that the excise taxes which we hailed with a great deal of enthusiasm as a means of lessening the burden on the poor and the low-income groups had to be reinstituted because the war had to be borne and paid for by the poor.

We made a mistake. Although the Senator from Minnesota and I were discussing a few moments ago that the Senate acted with great dispatch, I wonder if the Senate acted with the same amount of intelligence.

Mr. LONG of Louisiana. The Senator is certainly privileged to have his opinion on these matters. I too would like to make improvements in the tax system and I should like to see the taxes of many people reduced if we could afford to do so. However, we need this money to carry out the commitments that have been made and to carry out the military requirements of our country. So far as I know, we have taken care of these in this measure.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. WILLIAMS of Delaware. The Senator from Indiana is correct. The administration, to my knowledge, has not suggested any increase in taxes as far as our committee is concerned. However, I think it should be pointed out that the administration is well aware of the fact that the pending bill is only a stopgap measure and would provide approximately \$6.5 billion in one-shot revenue. This money will not be from additional taxes, but merely from an acceleration of the rate of payments. The money would be used to reduce the projected deficit for next year. The country will be operating next year, not on a deficit of \$1.8 billion as claimed, but on a deficit of approximately \$10 billion. The only tangible evidence I see that the administration is trying to solve this problem is its effort to get further authority to sell the assets of this country and use the proceeds to pay for the current operating expenses of the Government today. It is a shortsighted policy. It is a policy which will come back and haunt the administration later. The administration is deliberately laying the groundwork for a boom-and-bust period.

Mr. LONG of Louisiana. Mr. President, this bill would provide the funds with which to see us through our plans for next year. If we need more revenue later, something can be done then.

Mr. WILLIAMS of Delaware. The Senator is correct. This bill will see the administration through the 1966 election, and after that, watch out.

Mr. LONG of Louisiana. If we need more revenue thereafter, we will take all of these matters into account.

I think that this measure would see us through our deficit that would otherwise exist in fiscal 1967, and keep it within reasonable bounds. It seems to me that, without this measure, the deficit would be very high.

Mr. HARTKE. Mr. President, I am in favor of holding down the deficit. Is it true that this measure would raise ap-

proximately \$1.2 billion in additional, new revenue?

Mr. LONG of Louisiana. The bill would raise this much from new excise tax revenue in the fiscal year 1967.

Mr. HARTKE. That is the only new revenue that would be raised by this measure.

Mr. LONG of Louisiana. The measure would bring in several billions of dollars more, however, from adjustments in collection procedures, including an additional \$3.2 billion by speeding up the collection of corporate income taxes.

Mr. HARTKE. Those taxes would be collected anyway. It is not a matter of new taxation. It is merely a matter of collection.

Mr. LONG of Louisiana. It is a one-time gain.

Mr. HARTKE. The Senator is correct.

Mr. LONG of Louisiana. The Senator is informed and knows what a one-time gain is. We collect it one extra time and never have to pay it back. That makes the deficit that much less for that year.

We anticipate that we shall continue to have a growing economy, as we presently do. This means we should have approximately \$6 billion in additional revenue in the following year. Moreover, many economists think that is a very conservative estimate and that we will have as much as \$7 billion or \$8 billion in additional revenue in each year with our present growth. If that is the case, and we do not substantially increase our expenditures, we would have a balanced budget in the years ahead without having to levy any additional taxes.

Mr. HARTKE. At this point no one in a responsible position has indicated that we will have a 1-year war. This war effort in all likelihood will continue for a longer period than will the acceleration of taxes.

Mr. LONG of Louisiana. I hope that we shall eventually be able to bring this war to an end and in the near future to get the war sufficiently under control so that it will not cost any more than it presently does.

Mr. HARTKE. As the Senator knows, I do not intend to ask for a rollcall. I compliment the Senator for at least following his own admonition to this body. Following the action of the Senate, and I believe the measure was passed by the Senate on March 1, the measure went to conference on March 10. It is now March 15, and the bill is ready to go to the White House this afternoon. That is a totally elapsed time of from the 1st of March to the 15th of March.

I should like to call to the attention of the Senator the fact that, while the Senator was not in charge of that measure, he indicated that there was some attempt to stall or filibuster the measure.

I hope the Senator will state who the filibusters were. The measure was passed by the Senate on March 1, and no conference was held until March 10. In fact, the conferees were not appointed until March 9. It has taken until today, March 15, for that very important measure—which everyone indicated at that

time was so necessary in order to provide ammunition and help to the boys in Vietnam—to be ready to go to the White House for signature by the President.

Mr. LONG of Louisiana. I was not one of the conferees on that measure. I am not in a position to speak for them. I presume that every conferee does his best as the merciful Lord gives him the talent to see the right and to do it.

In my judgment, while we spent 3 weeks on that measure, it could have been disposed of in 1 week. If we had done so, it would have probably shortened the session by that much.

EFFECT OF VIETNAM ON THE STOCK MARKET

Mr. President, an editorial appearing in the Chicago Tribune for March 8 comments on the relationship between the uncertain tax policy involved in our Vietnam expense and the war in Vietnam.

The editorial quotes from comments in the same paper made by the financial columnist Eliot Janeway, who points out that the tax bill, whose final passage we are voting upon today, by its concentration on a "one-shot" method of tax collection does little to dispel forthrightly the existing uncertainty about future tax policy.

Mr. President, I ask unanimous consent that this editorial may appear in the CONGRESSIONAL RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Chicago (Ill.) Tribune,
Mar. 8, 1966]

THE STOCK MARKET AS SOUNDINGBOARD

Eliot Janeway, writing on our financial page, discusses the financing of the war in Vietnam and its effect on the stock market. He says that we are mobilizing to fight a destructive war, but that the administration is acting as if it could be fought on the cheap.

President Johnson's tax proposals, Mr. Janeway feels, are altogether inadequate if the administration continues to insist on huge expenditures at the same time for domestic "welfare." Once the troops are committed, the backup decision to levy taxes to support the troops becomes a necessary followthrough.

But the administration's fiscal stance clings to the fairly tale that the luxuries of domestic spending, as well as Vietnam, can be paid for with one-shot tax gimmicks improvised to meet the bills that are now piling up. The \$1.2 billion to be raised by reinstating auto and telephone excise taxes are, Mr. Janeway says, the equivalent of a tip to the waiter, while the scheme to accelerate collections from individuals and corporations leaves everybody up in the air.

"Fear of shaking up business and consumer confidence," says Mr. Janeway, "is no excuse for the failure to close the 'credibility gap' on the tax front. The deterioration in the stock market leaves no doubt that business likes uncertainty even less than it likes taxes. The combination of a 'quickie' tax plan for a long war, of costs inflating, and of liquidity deflating is giving the stock market and the taxpayers plenty to be uncertain about."

To this we would add that Mr. Johnson is quite aware that national congressional elections lie ahead this fall, and he knows that a sharp rise in taxes at this time would not commend his administration to the voters. The bad news, however, is only deferred if he persists in demanding butter along with guns, without the means to pay the price. The tax boost will come, but meanwhile the stock market shows its trepidation as prices

recede ever further from the breakthrough envisioned not so long ago in the magic 1,000 point level of the Dow-Jones index.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ALLOTT. Mr. President, do I correctly understand the Senator to say that under the conference report there would be actually \$1.3 billion in new taxes as a result of this measure?

Mr. LONG of Louisiana. There would be excise tax revenue in the fiscal year 1967 of \$1.2 billion.

Mr. ALLOTT. That would involve chiefly the automobile and the telephone tax.

Mr. LONG of Louisiana. The Senator is correct. The speeding up of the corporate payments would be a one-time gain in revenue to the Government. It will also be a one-time additional cost to the corporations paying the taxes. I do not want to mislead anyone concerning that. When we tell somebody that he must pay his taxes 6 months earlier, and he has to continue paying similar taxes 6 months earlier than he otherwise would have had to, a large amount of additional revenue may be collected.

Mr. ALLOTT. A lot of revenue would be collected. This has been repeatedly referred to as a "one-shot deal." What we have actually done is to accelerate the collection of taxes this year at the corporate and individual level. But the amount of payments that are accelerated and paid into the Federal Government, by the same token, would not be paid next year, because it is only a "one-shot deal." The Government would not be collecting any additional revenue from people by this bill, other than on the two items that the Senator has mentioned.

Mr. LONG of Louisiana. It is true that we would only collect any given tax liability once. However, if the Government obtains an additional amount of revenue in just one year but collects no less in subsequent years than it would otherwise do it would still be ahead by that much revenue. That is what has happened as a result of the Revenue Act of 1964, which began this speed up in collections which this bill still further speeds up. The corporations will know that they are out more in taxes over this period.

Mr. ALLOTT. But the Government would not be ahead, because what they collect this year would have been collected next year, when income tax time comes around.

Mr. LONG of Louisiana. But in the following year, the Government will collect just as much money as it would otherwise have done in the absence of these two acts. In other words, when we speed up tax collections in one year, the following year we do not give it back, we simply in that year collect amounts which otherwise would have been collected in later years, and so on. In this manner we eventually gain 1 year's revenue.

Mr. ALLOTT. But we have not raised the rate, and so, even though the people pay it next year at the same rate, all we have done is accelerate the payment of taxes.

Mr. LONG of Louisiana. This bill will cause us to collect \$3,200 million more from corporations in the fiscal year 1967 than we would have collected otherwise.

In fiscal 1968, we will still collect a full year's taxes from corporations, even though we may receive considerable additional revenue if the corporations are making more profits.

Mr. ALLOTT. If they do.

Mr. LONG of Louisiana. If they are they will pay more taxes for that reason. We hope they will. But they do not get that \$3,200 million back in the following year; they simply pay a full year's taxes in that year.

Mr. ALLOTT. I understand that. I think this is simply government by gimmickry. It is an attempt to bring in more cash so that the deficit does not look so large, and I think it should be made clear that that is what it is. It is nothing else. It does not raise new taxes; it just staves off the day a little bit, until we do it again.

Mr. LONG of Louisiana. May I say to the Senator that what we are doing is putting the corporations more on a more current basis for paying the taxes as they accrue. It is something that should be done in any event. However, it is something we would not want to do on occasions where we did not have full employment, and when people did not have enough money to invest in plant and equipment. On such occasions, we would want them to be investing their money and expanding plant and equipment, providing new employment, and distributing the money in dividends to their stockholders, as a result in such cases we would want people to be able to spend more money and generate more investments and consumer spending.

The same thing is true with regard to the money we pick up by the graduated withholding rates on individuals. On a short-term basis, it makes the Government a substantial amount of money. However, we would not wish to do that if we were at the same time trying to stimulate spending, either consumer spending or spending for capital investments.

Mr. ALLOTT. I do not wish to continue the argument, but it does not make the Government any money; it merely precollects that money, and that is all it does.

Mr. LONG of Louisiana. I would say yes; it "precollects" if the Senator wishes to call it precollecting, although as a practical matter, we are not making anybody pay taxes ahead of the time when the liability accrues, however, by this action of making the tax all payable earlier than would otherwise be the case the taxpayer is not able to keep the money and use it as long as he formerly could. By making him pay it sooner, we gain revenue for the Government.

Mr. PROUTY. Mr. President, before addressing myself to the conference report, I should like to try to dispel some of the confusion and misconceptions which have arisen since the adoption of my social security amendment by the Senate last Tuesday.

A rather critical editorial appeared in the New York Times on March 10, and

I wish to quote excerpts from a letter which I subsequently wrote to the editor of that great paper:

I take great issue with the allegation that my proposal is a perversion of the social security system. Medical care under social security brings those who never contributed a penny toward hospitalization under a program of benefits at age 65. The transitional amendments of 1965 bring under social security those who contributed only a very small percentage toward the benefits they ultimately receive. My proposal is not a perversion but an extension of these existing principles and programs.

Nor does my proposal merit the label "share-the-wealth scheme" you imposed, as under existing social security laws the beneficiaries of my proposal would be subject to the same earned income limitations imposed on present beneficiaries. Of the 1.5 million beneficiaries of my proposal, 1.1 million are already under some form of welfare program.

My proposal attacks poverty in a class of people statistically identified as, man for man, woman for woman, the poorest in the United States.

Their retirement income, if any, is often based on wages and salaries of the 1930's and 1940's. Many retired teachers, for example, receive as little as \$25 a month and have never been permitted to contribute to or participate in the social security system.

Your editorial was critical of funding my plan from general revenues. Research discloses that the Social Security Act of 1935 as amended in 1943 provided funding for certain programs out of general revenues of the Treasury. The same principle is used under the Medicare Act to pay for health insurance for those age 65 who have made no contributions to the trust fund.

Again my proposal utilizes an existing principle. Finally, the class of people sought to be protected by my proposal will diminish in number as social security coverage approaches universality. It is designed, therefore, to offer a minimum program of retirement benefits (\$44 a month) to those age 70 and above who would not be eligible for social security, who have been denied the opportunity since 1935 to participate in the social security system.

I think it should be pointed out, also, that under existing social security law, an individual may have an unearned income of millions of dollars each year, plus a very lavish private pension, and still draw maximum social security benefits. The people that I am trying to protect are not in that class.

Under existing law, Members of Congress may draw social security payments, if they come under the program, and also draw their congressional pensions. Any Member of Congress who is 65 is entitled to participate in the medicare program, regardless of whether he has ever been under social security or not.

On the basis of his study of the world's great civilizations, the Historian Toynbee concluded that a society's quality and durability could best be judged by the respect and care given its elderly citizens.

By that standard we have not measured up too well. You know it, I know it, and the Senate knew it when it adopted my amendment to provide \$44 a month to anyone age 70 or over who never qualified for social security. This amendment, which withstood a challenge of three votes, would have aided 1.5 million older Americans.

Who are these million and a half elderly people? Do they really need the

money the Senate voted for them? Here is my answer. One million one hundred thousand of these retired folks must now lean on public assistance in their effort to cling to survival. Looking at the money income received by older persons not covered by social security, we notice a shocking thing. Only about 12 percent of this income comes from retirement benefits of any kind. In fact, less than one-half of 1 percent of the money expended by older folks not protected by social security comes from private pensions. Only one-half of 1 percent of the money spent by nonbeneficiaries comes from contributions by relatives.

Nonbeneficiary couples—by that I mean couples not covered by the Social Security Act—who have reached retirement age, receive more than two-thirds of their income from employment, only 12 percent from retirement benefits for railroad and Government employees, and less than 1 percent from private pensions.

In a word, Mr. President, many of these people are forced to work when they are no longer able to work. They have virtually nothing in the way of pension income, and even retired Federal employees, who are in a better position than many other age 70 or older, have far from an adequate income.

Of the more than 200,000 surviving widows and children of civil service employees, 79 percent receive less than \$100 a month. Ninety-three percent receive less than \$150 a month. And 99 percent of all surviving widows and children receive less than the so-called poverty level of \$3,000 a year.

These are the facts, Mr. President. I ask you: Was the Senate justified in voting a modest pension of \$44 to each person and \$66 to each couple age 70 or over?

I say that it was not only justified, I blush at the thought that we offered so little to so many who need so much.

To those who stood side by side fighting to provide pensions to one and a half million Americans, I say do not lose heart.

It is true that the number of beneficiaries has been reduced by the conference committee from 1.5 million to 300,000.

It is true that the conference committee reduced the benefit level from \$44 to \$35.

It is true that the age at which the social security benefit is first available has been raised by the conference committee from 70 to 72.

It is true that the conference language will require all Government pension recipients, Federal, State, or local, to offset against the new benefit any income they may receive from public pensions, while their neighbors with private pensions may receive the full benefit.

And lastly, it is true that the conference committee language would deny social security benefits to those who fail to attain the age of 72 before 1968 unless they have three quarters of coverage for each calendar year elapsing after year 1966 and before the year at which they attain the age of 72.

These people, who worked perhaps as long as 50 years, will be forced to go out and get a job, whether physically able or not, in order to qualify for the meager benefits.

I shall not contend that this requirement is absurd, unreasonable, or downright callous. Let the language speak for itself and deduce from it what we may.

Mr. President, nothing I have said here can take away from the fact that even in its substantially altered form my amendment represents a victory.

It is a victory for the principle that this Nation owes an obligation to the forgotten people age 70 and over who never had a chance to obtain social security coverage during their working years.

It is a victory for the principle that general revenues must be used to increase the incomes of elderly Americans.

It is a victory for the 300,000 older citizens who will receive an increase in income, in many cases as much as \$35 a month.

Finally, it is a victory for the brave souls who fought in conference to uphold the action of the Senate and who, despite heavy and severe pressures from the administration to kill my amendment, managed to come out with at least something of substance.

I think the conferees for waging this fight under the most difficult conditions imaginable and for standing by the decision of the Senate. I might well include the conferees in the other body, because they were under great pressure as well.

Some well-heeled editorial writers, who undoubtedly will retire with plush private pensions plus social security, have branded the Prouty amendment a "share the wealth" scheme—and I commented on this earlier. To those comfortably situated writers, I can only say: If to put \$1.45 per day in the homes of over a million older Americans who have known little but hardship and fear for at least 70 years of their life is to share the wealth, then I plead guilty. And further than that, I intend to continue to fight to improve the incomes of these people, in Congress and on the public platforms of this country, until that one day when justice has been done and every retired American obtains enough income to purchase the bare necessities of life.

It has been said that a journey of a thousand miles must begin with one step. We have taken that one step and we are going to make the entire journey.

And it will be made with or without the help of the occupant of 1600 Pennsylvania Avenue.

It will be made with or without the help of powerful newspaper publishers.

The journey will be made because the American conscience will no longer tolerate witnessing thousands of elderly folks feebly marching in the ranks of destitution.

Mr. President, I thank the Senate sponsors of my amendment. I thank those who voted for the amendment. I thank those who fought in conference to retain it.

I thank Ernest Giddings, legislative director of the American Association of Retired Persons, for his unflagging and constant interest.

I thank most of all the older Americans who make up the lost battalion in our war on poverty. God bless them for their courage, their patience, their help in past endeavors, and for the aid which I know they will give in the struggle which lies ahead.

We have not seen the last of this issue, Mr. President. I shall seize every opportunity to bring it before the Senate so that all may know where we stand on one of the greatest social problems of our time.

To those who are downhearted or disappointed about the narrow scope of our victory, I would offer these words from the Psalms:

The needy shall not always be forgotten; the expectations of the poor shall not perish forever.

Mr. President, in conclusion, I ask unanimous consent to have printed in the RECORD excerpts from the thousands of letters which I have received since the Senate adopted my amendment. These letters from older people are written from the heart and they are written from heartbreak. They tell a story no Senator could equal. I commend them to your attention and to the attention of the public conscience.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Thank you so much for your sponsorship of legislation to include certain older people in social security. Many of these people, like my mother, have no way to qualify under the present system, and as she (now 89) will be greatly relieved by even a small monthly assistance. These grants will not continue long but will be of great help in the meantime.

Thanking you again for your human compassion.

My mother will be 85 years old in July. She resides in North Dakota, and was widowed 20 years ago. She owned a farm until early 1950 when she could no longer take care of it even as far as the business end. She thought at the time that the proceeds from it would carry her for the remainder of her life, but with inflation and her expenses for living and maintaining her small home in a small town, her savings has dwindled to nothing. She gets no State aid and the only help she gets is from her children. She raised eight children, and I might add that they all are working and paying into social security, men and women. Her one wish in life was to be able to support herself, and a check, regardless how small, would add dignity to her life and many others who are not now covered.

Here is a bird's eye view of what happened to just one family and such benefits as veterans' benefits, social security benefits, medicare benefits etc.

I have been denied all veterans' service, connected, or nonservice disability; we have been denied dependency allowance on a son killed in action in World War II.

Three of us in this one family have paid into social security and have been denied all benefits, viz—

I paid in for all of 1937 and until August 1, 1938, but somehow my record for 1938 has been lost, so I am denied any social security

benefits and that denies me part of hospital or medicare.

My wife and I have what is termed the uniform plan, of the Federal Healths Benefits Act; we have basic family and as under a new law, when medicare goes into force July 1, 1966, it will be illegal to collect duplicating coverages and all that will be left of part 2, or supplementary medical of medicare, after the parts that conflict with basic family of the uniform plan, will not be worth the \$6 per month it would cost my wife and I, so while persons who never worked under social security are given both parts of medicare and thousands who paid into social security are denied it and medicare.

So, I am denied all social security, VA benefits, medicare and as I draw my disability pay from the Bureau of Employees Compensation, I am denied all pay raises granted other civil service employees.

On behalf of my 79-year-old mother I wish to thank you for the social security provision you offered, and which we hope will receive final congressional approval.

This is a first for me. I have never written a letter of this type. This measure you have introduced will bring a semblance of independence to thousands of dependent "oldsters" like my mother, and I had to let you know how grateful these wonderful people will be.

My mother is wholly dependent on myself for the necessities of life. I am her only living child and the fact that I have had to support her—along with my two fatherless children—has been a bitter pill for her to swallow. My father died 13 years ago, was self-employed and therefore never participated in the social security fund. All of their savings were used up during his 5-year illness. When he died I naturally assumed the complete responsibility of caring for my mother.

If your measure is approved my mother will hold her head high once again, because she will have a dollar in her pocket that has not come from—as she puts it—"the sweat of my daughter's brow." \$35 a month may not seem like much, but to her it is almost like being the recipient of a million dollars.

I am 86 young and receive \$58 a month and give \$3 back for medicare. I was a small farmer and wasn't in on social security except 1 year in shipyard and what little I had saved up is nearly gone.

My experience as head of the trust department of this bank and previously in the same capacity in a bank in Florida, indicates a drastic need to supplement the income of individuals not presently covered by social security. So many of these individuals, now in advanced years, retired before being covered by social security and many widows, whose husbands died prior to their coverage, are actually living a substandard existence, and even a meager \$44 a month will mean a great deal to them. These aged individuals who are now destitute or who invested their life savings in U.S. Treasury bonds or insurance annuities many years ago, have seen inflation gradually reduce their ability to live a decent life in their last years.

God bless and keep you in the best of health.

I am so glad someone remembers the unpaid employees of the city of Chicago. I am a widow of a Chicago policeman who has suffered extreme hardships due to unpaid salary of my husband.

My children were deprived of college education. My oldest son deprived of a high school diploma because his tuition wasn't paid. Due to the death of my girl who was a victim of a doctor's blunder in administering a shot and who was later removed from

a lot in the cemetery because we couldn't pay \$50 per month on it. I owe \$1,500 on my home today. I owe \$3,500; I draw \$51.52 pension from city of Chicago police division. Our salary at that time was \$99.21 every 2 weeks take home pay. I had 7 children.

I am a former railroad man and we men were forced to have the railroad retirement instead of social security.

I had to retire due to illness and have been unable to work for 22 years. I am drawing only \$129 per month.

I wish to call your attention to a small group who are in need of some legislation for their benefit. They are the widows of totally and permanently disabled veterans of World War I with service-connected disability. There is no social security and no income other than the \$64 per month given to all widows of veterans.

I read of the bill you were trying to get through to help older people not covered by social security and I truly hope you can get it passed. I am a Spanish War widow trying to get along on a pension of \$65 a month. I'm 80 years old and not well, so I'm having a pretty hard time. My husband was in bad health for many years before he passed away last July, was never able to work under social security, therefore I don't get anything except the \$65 pension, not even any welfare help.

I am a veteran's wife of World War I. I get a widows pension \$64 a month from the Government. No other income. I pay \$30 rent \$5 electric, \$8 for gas. Now what I would like to know why us widows can't get no more. The relief was raised. The social security was raised but not us widows. Next question I would like to ask you. I made 4 quarters on social security.

You see my mother will be 77 years of age this March 11, and I was wondering if she came under the law. My father died March of 1936 and left mom a widow, my sister and I were just 11 and 9 at the time. We had to go on relief as mom could not work due to us children being to young and also he hearing was very bad from a child. So she brought us up to be good children and kept a good home for us and made every penny count. When I became 18 I went to work for a short time, and then into the service in March 1943. I was sent overseas and wounded, this only gave mom more to worry about. Then when I got out in 1945 I went to work and have been working ever since. You see I wanted to make it much easier for mom. Then in 1950 I got married. We now have 2 children, and also mom lives with us. I try to give mom some spending money but it is hard today to bring up a family and keep everyone happy.

I have mom registered under medicare with extended coverage. I am hoping your bill that was passed in the Senate will cover her, because our parents are only here on earth a short time, and they went through a lot to help us all through life and we owe them just a little something extra in life. It was not their fault that they could not completely work under social security. If this is something she comes under this would tend to make her feel a little independent. God bless you and speed you in your work and thanks and thanks again from the bottom of my heart for thinking of those few Americans left that could benefit, if only for a short time, on some type of payment.

I am a widow of 66. I am still under a doctor's care after suffering a coronary heart attack and arthritis.

I pay Crouse-Ingov Hospital \$10 each month, doctor bills here, board and room, all out of \$77.80.

I could not live in my trailer we have been fixing up because I cannot afford to buy oil for furnace, and gas for cook stove, along with my other bills. Now I wonder if I am supposed to go begging to the Welfare Department for some assistance?

My mother, Mrs. Grace E. Donahue, 114 North Fairview, North Prairie, Wis., an 87-year-old widow has never been eligible for social security, because my father was a country storekeeper in North Prairie (not Sun Prairie), a town of 292, in the 1930's and early 1940's. One clerk was employed, and my parents, when social security became a law, not only paid what they were required to but also paid the clerk's share of the social security payment. You see, there was not much profit in an independent (nonchain) general store's business; consequently, my parents could not afford to pay a large salary—and so to keep the clerk from leaving, paid her total social security. My father died suddenly of a coronary at the age of 68 in 1942, and my mother carried on alone (with the help of the clerk) until it became too much of a burden and strain on her, and she sold the store in 1944.

And so my mother has never been eligible for social security all these years—because she was unfortunate enough not to have come under the social security law when it was passed originally. She does not have a pension or any retirement benefits.

My brother's mother-in-law, is 78 years old. Her husband, a pattern maker in a toolshop, was paralyzed by a stroke in 1929—died in 1939. The children all helped support their mother when they were at home. The 45-year-old home was later remodeled to provide an income—Mrs. K living alone down stairs now—the upstairs rented. Mrs. K cannot obtain social security because her husband was not covered.

These two widows deserve social security if any one does. They struggled to rear their families. Certainly all of the children help as much as possible to see that they are not in want. But is it fair to exclude them from badly needed social security checks?

I am a retired New York City teacher who has been penalized. I retired 6 months before the present law was passed. My health failed, and the health department of the board of education would not permit me to return to become eligible for the benefits.

DEAR SENATOR PROUTY: I want to express my appreciation to you for your amendment to the tax bill which would blanket under social security all persons over 70 not now covered. Even if your amendment should be defeated in committee, you have performed an outstanding public service in bringing to the attention of the Nation the needs of our "forgotten" citizens.

My 76-year-old mother-in-law is a perfect example of this segment of our population. This dear, gentle lady never worked a day in her life and never had to. The vicissitudes of life have left her penniless.

I do not mind supporting her but it is a sore affliction to her morale and to her spirit to be completely dependent on me. Her hopes and prayers are centered around dying quickly and inexpensively. It is cruel that this all-powerful, rich Nation should neglect its elderly. Even in China, the elderly are treated with greater care and respect than we do in the United States.

I only wish that I was a voter in your State and could show my appreciation in a more forthright manner.

I have retired from the New York post office, since May 31, 1958. I have tried many places to get a job but because of my age, all the applications I filled out were never answered, so I never got the chance to work under social security.

Mr. PROUTY. Mr. President, I also ask unanimous consent to have printed in the RECORD various memorandums relative to this subject.

There being no objection, the memorandums were ordered to be printed in the RECORD as follows:

BRIEF SUMMARY OF THE CONFERENCE REPORT ON THE SOCIAL SECURITY AMENDMENTS TO THE ADMINISTRATION TAX BILL

The compromise version pays \$35 (\$17.50 to a wife) to everyone attaining age 72 or over before 1968 without regard to quarters of coverage. Commencing with 1968 and subsequent years the beneficiary must have three quarters for every year elapsing after 1966 up to the year the beneficiary reaches age 72.

Reductions from the benefit amount are made in the case of recipients of governmental pensions less than the benefit amount.

In the case of a husband and wife, only one of whom is entitled to benefits under this amendment, the benefit shall be reduced, first, for any public pension received and, second, shall be further reduced by the excess of the periodic governmental pension of the spouse, not entitled to benefits under this amendment, over \$17.50. For example, if A is eligible for the new benefit, and B, his wife, is not, and A receives a civil service retirement annuity of \$10 a month, and his wife receives a civil service retirement annuity of \$25 a month, A's new benefit of \$35 is first reduced by his public pension of \$10, leaving a new benefit of \$25, less the subsequent reduction of the excess over \$17.50 received by the wife, namely, \$7.50. Hence, the eligible husband's benefit would be \$17.50.

If both husband and wife are entitled to the new benefit, the benefit of the wife (\$17.50) shall be first reduced by the excess (if any) of the eligible husband's public pension over \$35. In the case of the husband, his new benefit shall first be reduced by the amount of his public pension and then further reduced by the excess of his wife's public pension over \$17.50.

For example, if the wife receives a public pension over \$17.50 and the husband receives one in excess of \$35, no new benefit is payable. If the wife receives a public pension in excess of \$17.50 per month while the husband receives a public pension less than \$35 per month, the wife receives no new benefit, and the husband's new benefit is reduced by the amount of his public pension and the excess of his wife's public pension over \$17.50. Conversely, if the wife receives a public pension less than \$17.50 per month, but the husband receives one of more than \$35 per month, the husband gets no new benefit, and the wife's new benefit of \$17.50 is reduced by the amount of her public pension and the excess of her husband's public pension over \$35.

Persons receiving State public assistance moneys under State plans funded by social security are not eligible for the new benefit. Where the needs of the husband or wife of a public assistance beneficiary are taken into account by the State in determining the benefit payable to the recipient, the husband or wife is not eligible for the new benefit.

The cost of the new benefit program is funded out of general revenues in fiscal 1969, with the OASDI trust fund being reimbursed so as to put it in the same position at the end of fiscal 1969 as it would have been if the new benefits had not been paid. The trust fund is also to be reimbursed out of general revenues for expenses of administration and the interest loss to the fund.

Entitlement to benefits commences the first month after September 1966 that the beneficiary first becomes eligible.

MEMORANDUM ON FEDERAL RETIREMENT ANNUITIES

Of the more than 200,000 surviving widows and children of civil service retirees, 38 percent receive less than \$50 a month; 79 percent receive less than \$100 a month; 93 percent receive less than \$150 a month. Ninety-nine percent of all surviving widows and children receive less than the so-called poverty level of \$3,000 per year. Of the 170,000-some widows on the civil service retirement rolls as of June 30, 1965, the average age was 65.8, the average annuity a meager \$80 per month.

The situation of surviving widows and children is not necessarily the most desperate. Look at the unfortunate figures relating to employee annuitants: 49,700 receive less than \$50 a month; 126,100 receive less than \$100; 214,300 receive less than \$150 per month; 307,600 receive less than \$200. Viewing the so-called poverty level as \$250 per month, 377,500 civil service employee annuitants out of a grand total of 508,500 receive less than poverty-scale annuities.

Alarming enough, nearly 74 percent of all civil service employee annuitants receive less than the magical poverty level.

Mr. COTTON. Mr. President—

The PRESIDING OFFICER (Mr. PELL in the chair). The Senator from New Hampshire is recognized.

Mr. COTTON. Mr. President, I have listened with keen interest and appreciation to the words of the distinguished Senator from Vermont [Mr. PROUTY]. I commend him highly for the fight he is making for his amendment.

It was my privilege to stand with him in the last session of Congress when we tried to increase the social security of those receiving the minimum. It was my privilege to share with him some of the attacks which were made; that it was an attempt to debase the social security system which was a system of insurance—although almost everyone who faces the facts realizes that it has ceased to be an insurance system and has now become, to a large extent, partly an insurance system and partly a system of benefits extended from the Treasury.

I shared with him the fight for his amendment last week.

I do not share with him—and I say this with all appreciation and without any attempt to differ with him—quite the sense of encouragement which he expresses about the result of the conference committee and the so-called compromise which was brought back.

No words of the psalmist can reconcile me to the fact, which is the pungent, outstanding fact, that this group of aged persons who, through no fault of their own, do not qualify for social security, are going to be compelled to wait 2 long years before they will have an opportunity to enjoy even the limited benefits of this bill as it comes from conference.

Mr. President, a 2-year wait for a person 70 years old who is on relief and who is living in conditions of poverty is an exceedingly serious and cruel punishment to inflict upon that person. And the consolation that they will not wait forever will not be true of those who do not survive those 2 years.

The obvious answer, I suspect, that might be made to this statement is the fact that they are waiting 2 years as their contribution and as their sacrifice to the

expenses of maintaining the war in Vietnam. I fail to see why it should be placed on the shoulders of this particular group of aged Americans.

We all listened to the impassioned words of the President of the United States—those eloquent words—in his state of the Union address. To remind the Senate, I will read what the President said:

I have not come here tonight to ask for pleasant luxuries and for idle pleasures. I have come here to recommend that you, the Representatives of the richest Nation on earth, you the elected servants of the people who live in abundance, unmatched on this globe, you bring the most urgent decencies of life to all of your fellow Americans.

There are men who cry out that we must sacrifice. Well, let us rather ask them, Who will they sacrifice? Are they going to sacrifice the children who seek the learning, or the sick who need medical care, or the families who dwell in squalor that are now brightened by the hope of home? Will they sacrifice opportunity for the distressed, the beauty of our land, the hope of our poor?

Those were glowing words, and the question propounded to the Congress was a mighty question: Whom shall we sacrifice? And now we have the answer. We will maintain all of the benefits scattered throughout this Nation by the myriad programs of the Great Society. Those will not be sacrificed. We shall have, as the President has declared, both guns and butter, because this great, rich Nation can afford both guns and butter. The only ones we are going to sacrifice is that little group of aged people. They are the ones who are being compelled to wait for 2 years, from the age of 70 until the age of 72. Outside of the men who fight, that little group is the first group I have heard designated by this administration and its spokesmen on the floor of the Senate, and even the joint conference of the two bodies of the Congress of the United States, as being compelled to make the sacrifice and wait so we can fight a war.

I do not consider this compromise a satisfactory compromise. I consider that it is one of the most cruel and heartless resolutions I have witnessed since I have been a Member of the Congress. I do not intend, now or hereafter, to have every tax increase, that is requested crammed down my throat on the ground that it is being raised to finance the war effort in Vietnam, because we have had the word—and we have had the word from the most high—that with this burgeoning economy, with the rich resources of this country, we can maintain these humanitarian programs, many of which are essential, all of which seem desirable, but we can maintain them all, and we are not going to defer the glorious benefits of the Great Society for one moment.

The larger portion of the dollars raised under this tax bill will come straight from the pockets of the people who need them most. Whatever we do to corporations taxwise is simply passed on to the consumer. I have heard Senators wring their hands and cry out day after day after day how friendly and solicitous they are about the consumers. Do not forget that a portion of every single dollar that

will be realized by this tax increase will be going, if you please, to maintain all these programs of the Great Society.

In general terms, the total cost of the Great Society programs for the coming year, fiscal year 1967, is estimated to be \$22.5 billion.

Over the next 5 years, these new domestic programs of the Great Society, more than 50 new and expanded ways of spending money, if they are carried out and if appropriations are made, will cost the taxpayers \$98 billion.

Certainly, no one can be critical of all of these programs. Some of them, like water pollution, air pollution, health research facilities, including heart, stroke, and cancer, and mental health, are highly desirable programs. But the bulk of the Great Society spending represents the fluff and frosting of Government beneficence. This type of program will cost the taxpayers more than \$19.5 billion next year, and \$83 billion over the next 5 years.

The cost of these new and expanded spending programs of the Great Society will be a real factor in the Federal budgets to come, and they will be a real burden on the taxpayers.

I have not heard anybody speaking for the administration who has questioned that directive—that because of the rich resources of this country and because of the booming business conditions in this country and the full employment, we can continue the program and fight the war. If I can understand plain English, most eloquently phrased, that is precisely what the President told us in his state of the Union message, and that is precisely what he has said on every occasion. If that is so, how can anyone justify picking a group of old people who through no fault of their own do not qualify for social security, and insisting that they wait 2 years and insisting further that not at 70 but at 72 this great Government, this great, rich country, able to do all of these mighty things, will then give them not even \$44 a month but \$35 a month. I cannot comprehend that kind of action.

I wish to suggest, Mr. President, that there were some things said here last Monday that were very illuminating. I recall that the spokesman for the bill, after the amendment of the distinguished Senator from Vermont has been adopted—I suspect rather unexpectedly—stood on the floor of the Senate and, to my amazement, began to talk about that portion of these people over 70 who did not need \$44 a month. They were rich. They had millions in income. They were retired bank presidents and retired business executives. It was ridiculous.

Somebody else—I have forgotten who it was—looked at the Senate and said:

The idea that Senators would vote themselves \$44 a month after they are 70 years old when they do not need it.

That is true. That is the gospel truth and I agree with it. But I was amazed to hear it because when we had the medicare bill before the Senate, the Senator from New Hampshire offered a sensible amendment, and others offered similar amendments. We stood on the floor and

called for a needs test, not the kind of needs test that sends social workers out to call on oldsters to determine how much they spend each week for tobacco, but simply one providing that those who reported incomes of over a certain amount should not be eligible and would not receive the special health benefits under medicare because they were well able to pay for it themselves.

Now, friends on the other side held up their hands in holy horror. It was absolutely incomprehensible to them that we should suggest such a needs test. There was something degrading about it. It was an insult to those who were poor. It was something we should pull away from and scorn, and they attacked the Kerr-Mills law, which would have gone a long way to take care of the health problems in this country if the bureaucrats had not stifled it and refused to push it. They attacked that law because it did have an income needs test. Do Senators remember that?

Then, all of a sudden last Monday, out of the clear sky, they jump up and say that we should have a means test for this pittance, this minimum allowance that we had the audacity to request for this group of people who were left out. I agree with that. It is a good place to start. We should have started sooner.

We have no need to pay \$44 a month or \$35 a month to any Member of the Senate who becomes 70 or 72. We have no need to pay a benefit to a retired bank president or anyone who has ample income.

If they meant what they said I wonder why the conferees did not come back to us with the needs test for the \$44 a month and the \$66 a month for the aged over 70 who are not eligible for social security.

It would have been a compromise and a perfectly sound and just one, as it would have been sound and just in the case of medicare.

The war-on-poverty program carries a needs test. The benefits of the war on poverty have a needs test, which is roughly \$3,000 income with a family of four, with some variations. But whatever it is, it was very carefully and thoughtfully worked out to determine who is poor, who needs help, and who should have help.

What in the name of all that is great and good prevented these distinguished conferees for the Senate and the House of Representatives from proposing a needs test when they were worried about the \$1 billion that was going to be wasted. Incidentally, I do not accept that figure. I do not accept that figure for many of those who would receive this had already been on welfare and the Federal Government is paying a lion's share of that welfare.

But they could have taken care of all of it. They could have stopped at a billion dollars or three-quarters of a billion dollars or a half a billion dollars. They could have put this money right where it is needed and needed the most by letting them have it at the age of 70 and not after 72, if they live that long; not after the war is won in Vietnam, not by and by, and then only a part of it, by simply turning out their

own words when they stood in the center aisle of the Senate and held up their arms and said, "Why, you can't do this thoughtless thing. You have to have a needs test. Why, you can't do that."

Why could they not give us a needs test.

I do not want to vote a cent for someone who does not need it and is not on social security. I see no reason why any Member of the Senate when he passes the required age, with his retirement privileges, should draw a dollar from this amendment to the bill. I see no reason why the wealthy people should participate. It is a simple thing to see that they do not. That is one of the glaring inconsistencies.

I have enumerated other inconsistencies. The first one is that in a situation where it has been declared the national policy that we should have both guns and butter—and that we should not hold up for a moment the great programs of the Great Society—that we should insist on holding up this one benefit to this one small group who need it the most, hold it up for 2 years and then only give them part of it. That is the first inconsistency.

The second inconsistency is on all the discussion about this money going to the rich and that there should be some kind of qualifying test. It is a simple enough matter to write into this bill exactly and precisely the same needs test that is in the war-on-poverty program and give it to them now and not ask that one group to wait for 2 years and then get only a portion of it.

So far as I am concerned, I must say that I am not happy about this compromise brought back by the conferees.

I am sure they did their best. I am not criticizing them personally, of course. But to me, it is not much encouragement. To me it is the most grotesque and inconsistent proposition that I have heard for a long time.

I was not enthusiastic about voting for this tax bill; in fact, I had determined to vote against it. We must face the expenses of the war in Vietnam and I have unhesitatingly voted to meet those expenses. I voted for the military authorization bill to meet our requirements in Vietnam and just last week I voted for the supplemental authorization bill providing foreign aid in southeast Asia. I do not intend to withhold what is needed or to have anybody think for a single moment that the Senator from New Hampshire is not ready to help present a united front to the world, and let the world know that we intend to stand firmly behind the President, now that we are at war, and now that the world is looking at us to ascertain whether this Nation is resolute and determined, or is irresolute and faltering.

But, by the same token, I would rather see the increase in taxes that is coming. I doubt whether a single Member of the Senate, either within sound of my voice or in his office or somewhere else, is not perfectly aware that we shall have further increases in taxes; that they are imperative; that they are a must; and that the increases are coming just as

fast as night follows day. We should meet this need head on, not piecemeal.

The subterfuge of reinstating some excise taxes—and excise taxes are a fancy name for sales taxes—is the worst form of taxation, the most unfair form of taxation, in the world. They are pick-pocket taxes. They reach into the pockets of the poor and extract pennies from their purses when they do not even know or realize that it is being done.

The taxes are leveled, so far as the world is concerned, at the great corporations, but there is not a corporation that will pay a cent of them. They will pass them on, and the taxes will come out of the homes of the people of the land.

But I finally held my nose and voted for this tax bill, even though I wanted to oppose it for that reason and for the reason that it merely defers the evil day when we shall find out how much money will be needed, when we shall determine an overall policy of authorizing the revenue bills to raise the taxes.

I predict that the day will come when either the President and the administration or the Committees on Appropriations of Congress will decide that we must forgo some of the luxuries of our domestic programs until the war in Vietnam is fought and won.

But I voted for the tax bill. I voted for it because I was so deeply concerned in the Prouty amendment. Perhaps the distinguished Senator from Vermont consoles himself with a victory of principle, but that amendment, as I see it, has been emasculated. This tax bill is not merely to raise money for the war. It is designed to raise money for our domestic programs. It does not face head-on the whole tax problem. The Prouty amendment, which was so necessary, has been destroyed.

The Hartke amendment, which would have taken out of the tax bill that part which bears most heavily on those who can afford it least—the local charge for telephone service, which is not a luxury but a necessity—has been thrown out. So far as I am concerned, one feature of the bill has been emasculated; the other has been thrown out.

I shall not go along with either the Senator from Indiana [Mr. HARTKE] or the Senator from Vermont [Mr. PROUTY] when the time comes to vote on agreeing to the conference report. I hope we may have the yeas and nays. I want the opportunity to do what I desired to do in the first place, but did not do because of the amendments that I thought were so important. I want the opportunity to vote "nay," and I do not want anyone to try to tell me that when I vote "nay" I am taking the guns out of the hands or the food out of the mouths of the boys in Vietnam, because that is pure hogwash.

The bill provides \$6 billion; spread it where they will. It will go into the Treasury; and whatever portion is intended for the war will be allocated for that purpose. More taxes will be coming later. I hope they will be fairer taxes.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. COTTON. I am glad to yield.

Mr. PROUTY. I wish to commend the distinguished Senator from New Hampshire for making an outstanding statement on the floor of the Senate this afternoon. I hope that Senators who were not present will have the opportunity to read it carefully. I hope the press of the country will report it adequately, because it is a statement with which the American people should become familiar.

The so-called Prouty amendment might well be called the Prouty-Cotton amendment, because the Senator from New Hampshire has been by my side fighting for the elderly people this year and in the past. I appreciate his help and support.

While I, too, am dissatisfied with the compromise developed by the conferees, a set of principles has been adopted—a first step down a long, hard road has been taken. The conferees preserved these principles and took this despite powerful pressure from the White House. I frankly say that the conferees deserve great credit for standing up to the Presidential emissaries and withstanding the phone calls from high places which everyone knows were being made right and left. Betty Beale, reported in her society column that the Secretary of the Treasury and top Presidential aids were late in arriving at the Embassy of Kuwait the night my amendment was adopted because of consternation at the White House. Battle plans were being laid against the amendment the very night it was adopted. The conferees overcame great obstacles.

So I hope the Senator from New Hampshire will change his mind and feel that we are doing something for the elderly people, even though it is not by any means nearly enough.

Mr. COTTON. I thank the distinguished Senator from Vermont for his kind words, which I deeply appreciate. I wish to make it clear that I am not withholding credit from the conferees; I am sure they acted in good faith. I am sure they did the best they could. The conferees stood by their guns—and butter.

I do not know about the telephone calls from the White House; I never received one. But perhaps Senators stood by their guns. Perhaps half a loaf is better than none, even for the group of elderly people who are being left out.

However, I should like to reassure the distinguished Senator from Vermont and tell him something that I think he already knows. Even if we rejected the conference report, we would still have another chance. The Senate could send the report back with a mandate to find a different type of compromise, if we had to have one. But I can reassure the Senator from Vermont that neither his vote nor mine is needed; the majority party has the votes. They will adopt the conference report. All that I ask, all that I hope to get, is an opportunity to make one more speech on the report, and that is to stand up in my place and say "No."

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. WILLIAMS of Delaware. Mr. President, I shall be very brief. There is one further amendment in the bill which is most important.

I wish to comment on this amendment to be sure that all Senators understand exactly what we are doing. I refer to the amendment contained in section 301 of the bill, which amendment would disallow certain deductions for certain indirect contributions to political parties.

Mr. President, I ask unanimous consent that a copy of the amendment as approved by the Committee on Finance, by the Senate, and by the conferees, be printed at this point in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

SEC. 301. DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

(a) **DISALLOWANCE.**—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

"(a) **DISALLOWANCE OF DEDUCTIONS.**—No deduction otherwise allowable under this chapter shall be allowed for any amount paid or incurred for—

"(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inure (or is intended to inure) to or for the use of a political party or a political candidate,

"(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inure (or is intended to inure) to or for the use of a political party or a political candidate, or

"(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

"(b) **DEFINITIONS.**—For purposes of this section—

"(1) **POLITICAL PARTY.**—The term 'political party' means—

"(A) a political party;

"(B) a National, State, or local committee of a political party; or

"(C) a committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions (as defined in section 271(b)(2)) or make expenditures (as defined in section 271(b)(3)) for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any Federal, State, or local elective public office, or the election of presidential and vice-presidential electors, whether or not such individual or electors are selected, nominated, or elected.

"(2) **PROCEEDS INURING TO OR FOR THE USE OF POLITICAL CANDIDATES.**—Proceeds shall be treated as inuring to or for the use of a political candidate only if—

"(A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and

"(B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office).

"(c) **CROSS REFERENCE.**—

"For disallowance of certain entertainment, etc. expenses, see section 274."

(b) **CLERICAL AMENDMENT.**—The table of sections for such part IX is amended by adding at the end thereof the following new item: "Sec. 276. Certain indirect contributions to political parties."

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of this Act.

Mr. WILLIAMS of Delaware. Mr. President, I point out that this amendment would prevent using as a deduction any advertising in any publication of a political party. Likewise, in the event of advertising in any other publications the amendment would prevent the taking of a deduction if any part of the proceeds inured, or would inure if there were a profit, either directly or indirectly to the benefit of a political party or a political candidate.

A question has been raised whether this amendment would cover so-called almanacs which are being printed by some parties in different States. A question is raised whether this amendment would cover advertising when turned over to a so-called nonprofit research organization. A question is raised whether it would be permissible to turn the funds over to the so-called voter education clubs. The answer most emphatically, as agreed on by the conferees and by the Treasury Department, is yes, it would cover all procedures that have been used heretofore as well as procedures which might be dreamed up at a later time.

This amendment covers them all. Under no circumstances is advertising in any type of publication by a political party or by some other organization which plans to turn the proceeds over to a political party or candidate to be allowed as a deduction for tax purposes.

To make sure that we covered all of it we said "or similar organizations." We do not intend that there be any loopholes in this law.

The second part of the amendment provides that in the event of charges for admissions or charges for dinners or for programs—such as the \$100 dinners or the \$1,000 presidential clubs—no deductions may be taken. In all cases where any part of the proceeds inure, or if any part would inure if there were a profit, either directly or indirectly, to the benefit of a political party or a political candidate they cannot be claimed as deductions for tax purposes.

I repeat that if any part of the proceeds were to go either directly or indirectly to a political party or to a political candidate, or if any part were intended to go to a political party or a political candidate if there were a profit, no deduction either for the advertising or for the cost of the tickets, and so forth, may be made. I think that is clear.

The advertising contained in those programs and the purchase of tickets for a dinner are covered and are not permissible deductions for income tax purposes under any circumstances.

The third part of the amendment provided that no deductions are to be allowed for the cost of tickets to inaugural

balls, galas, or other similar events. This part of the bill is likewise quite clear.

Let there be no misunderstanding. I call attention to a new suggestion that I have just received and which is likewise covered. This represents an elaborate plan for a new fund raising. A map of the United States was included with the suggestion.

This new proposal points out how \$25 million can be raised by having annual White House balls. They have a breakdown to show how much money should come from each of the 50 States.

It is pointed out that this celebration could be held on the birthday of the President. The promoters pointed out that the Republicans could use this same plan to celebrate the birthday of a former President. They suggest a presidential ball at numerous places in the country. The top officials of the parties and other celebrities could attend these celebrations in the various States and raise as much as \$25 million for the committee.

This is an elaborate plan, but let there be no misunderstanding—such a plan is covered by this amendment.

A political party may have a presidential ball; however, under this amendment those who attend that presidential ball will pay for the privilege of attending without the benefit of any tax credit or tax deduction. That point should be made very clear.

By selling advertising in the booklet "Toward an Age of Greatness" the Democratic Party raised approximately \$1.5 million last year. There was also a campaign brochure issued at the 1964 convention in Atlantic City with a multi-million-dollar advertising scheme. All of the advertising in such booklets or brochures is covered under this amendment and are not deductible. In fact, in my opinion they are not deductible under existing law either. There is complete agreement on the part of the conferees, the Finance Committee, and the Treasury Department as to the manner in which this amendment should be interpreted. Likewise, this amendment does not propose to legalize those old transactions. They can continue to work out their problems with the Department.

I want to make it clear so that we do not pick up a newspaper tomorrow and find some other imaginary scheme whereby someone proposes to finance campaigns out of the Treasury of the United States as a result of Department rulings.

I agree that we do have a duty to find a method by which we can enlarge the source of smaller contributions and will work toward that objective.

In that connection I introduced a bill for our committee study and have submitted it to the Treasury Department. We should make a step in that direction. In that bill I proposed that the first \$25 contribution be afforded some form of tax credit. I suggested 70 percent of the first \$25 as a tax credit and that consideration be given to affording a deduction for the next \$75.

The reason for suggesting a tax credit for the smaller contributors is that those

who use the standard deduction and do not itemize deductions would get no credit if some such formula were not provided.

When the representatives of the Treasury Department testified before our committee the Secretary of the Treasury said that the President was interested, and he expected to come up with a legislative proposal to encourage small contributions for political parties in a legitimate way.

We should take some action toward this objective, but let us approach the problem with legislation and not through back-door rulings where one taxpayer gets a deduction and another does not.

We must spell out in the law what is permissible. I did not press for action on this proposal at this time because the Secretary asked that we withhold it with the clear understanding on the part of the committee and the Treasury Department that the administration will be coming before Congress in the near future with a proposal which would expand the source of revenue and make some provision to attract smaller contributions.

Whatever the formula may be, however, whether it be something that I suggest or a plan that the Treasury Department suggests, is immaterial. What is important is that we must spell it out in the law. Let us do it through legislation and not on the basis of which party is able to get a favorable Treasury Department ruling that the other party will not find out about until 6 or 8 months later.

I am getting a little impatient at what has happened. This is the second time it has happened where the Democratic Party has dipped into the Federal Treasury to finance an election. I most advisedly say that the third time it happens I will be a little rougher in my comments than I have been thus far.

Mr. President, I ask unanimous consent that an analysis of the bill and its legislative intent, and the interpretation of this amendment as prepared by the staff of the Joint Committee on Taxation be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMENDMENT ON INDIRECT POLITICAL CONTRIBUTIONS

My amendments is designed to clear up the tax treatment of what really are indirect political contributions. It is the committee's view that political contributions either generally should be deductible or not deductible. I see no reason for special treatment just because we call some of them advertising, admissions, or anything else.

Under existing law political contributions generally are not deductible. Nevertheless, it is common knowledge that this rule has, for some time, been circumvented by the simple expedient of framing contributions in the form of purchases of advertising space in various party-sponsored publications. In spite of the obvious transparency of this device, I am informed that it is by no means certain that deductions for such "advertising expenses" will be disallowed. I am not only concerned with the lack of clarity in present law as to the deductibility of these contributions. I am also concerned about the participation of political parties in schemes

which by indirection attempt to create tax deductions for payments which, if made directly, would not be allowable.

For these reasons I proposed this amendment to the bill (H.R. 12752) to make it unmistakably clear that political contributions made in the form of advertising, payments for admissions, or payments by other indirect means, are not to be deductible for income tax purposes.

Under this amendment amounts paid for advertising in a political convention program are not to be deductible under any circumstances. In addition, amounts paid for advertising in any other publication are not to be deductible, if any part of the proceeds of the publication inures, directly or indirectly, to a political party or a political candidate. In determining whether proceeds inure to a political party or candidate the use to which they are put by the party or candidate is completely irrelevant. The fact that such proceeds are used by a political party or candidate only for educational and research purposes, or for any other similar purposes, does not make the advertising deductible.

In addition, my amendment specifies that no deduction is to be allowed for the admission charge to any dinner or program, if any part of the proceeds of the dinner or program inures, directly or indirectly, to a political party or a political candidate. A charge for admission for this purpose includes not only amounts paid for the right to attend the event, but also includes any additional amount paid to entitle the person to participate in activities carried on at the event.

My amendment also provides that charges for admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or political candidate are not to be allowed as deductions. This provision applies regardless of the sponsorship of the event or of the disposition of the proceeds. Under this provision, charges for admission to an inaugural ball sponsored by a nonpartisan or bipartisan committee or organization are not deductible. This is true even if the proceeds are used only to defray the expenses of the ball or similar event. The provision applies whether the inaugural celebrated is for a Federal, State, or local official (elected or defeated).

A political party for purposes of my amendment includes (in addition to a political party as commonly understood) a National, State, or local committee of a political party. It also includes any committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any elective public office, or the election of presidential or vice-presidential electors. These organizations are treated as political parties whether or not the individual succeeds in being selected, nominated, or elected.

In general, this amendment is patterned after the provision of present law denying deductions for worthless debts owed by a political party. However, it differs slightly to make it clear that (as was intended under the worthless debt provision) it applies to candidates at primary elections.

Mr. WILLIAMS of Delaware. Mr. President, I repeat—this is not the first time that this has happened. I call attention to one prior incident which happened in the 1948 and 1951 period but which was not discovered until 1958. This situation was corrected by legislation in 1958 and is not a part of this pending legislation. I review this mere-

ly to emphasize to anyone in the Treasury Department who on some future occasion may try by rulings to do something that Congress never thought the law intended. I want to impress upon them the importance of coming to Congress in order to change the law and not to attempt to do it in conference with the national committee of either political party.

It was called to my attention around 1958 that large political contributions were being made to the Democratic Party and that the contributions were being written off under the guise of bad debts. These contributions to the Democratic Party before the election were called loans. Of course every political party is out of money by election day. The Treasury Department, after the election ruled that the party had no money and therefore the contributions could be written off as bad debts and would not be subject to a gift tax. There was no basis for any such rulings but they were made and kept secret for nearly 8 years.

I shall put these rulings in the RECORD. By the way, one of these rulings was issued less than 48 hours after it was applied for; the application was mailed from North Carolina, and the ruling was approved in Washington in less than 48 hours, which is an all-time speed record for the Treasury Department. Under this ruling of December 30, 1948, Mr. Richard J. Reynolds was permitted to write off as a bad debt a \$310,110.45 contribution which he had made to the Democratic committee in New York.

They said, "Since you can't collect it you write it off as a bad debt, and it will not be subject to a gift tax."

Likewise, Mr. David A. Schulte had contributed \$50,000 to the Democratic Party and called it a loan, and on May 18, 1949, he also received a ruling that he could consider it as a bad debt, and it was not even subject to a gift tax. Mr. Marshall Field contributed—or should we say loaned—\$50,000 to the Democratic Party, and he too was allowed to classify it as a bad debt, and it was not subject to a gift tax.

I review these old rulings to show just how tax laws can be changed without Members of Congress knowing anything about it. Never again do we want to hear of a secret ruling on political contributions.

Next I read a ruling issued to Mr. William Neal Roach, the assistant treasurer of the Democratic National Committee, Ring Building, Washington, D.C., under date of July 26, 1951:

JULY 26, 1951.

MR. WILLIAM NEALE ROACH,
Assistant Treasurer, Democratic National
Committee, Ring Building, Wash-
ington, D.C.

DEAR MR. ROACH: Reference is made to your letter of July 12, 1951, transmitting a letter from Mr. Wilson Gilmore, president of the Young Democratic Clubs of America requesting a ruling concerning the deductibility by corporations of contributions to the Young Democratic Clubs of America for their convention.

He has stated that such clubs will hold their national biannual convention at the

Jefferson Hotel in St. Louis, Mo., on October 4-6, 1951. In order to defray the large amount of expenses that will be incurred by the convention program, they are seeking contributions. It is stated that it has been their idea to organize a convention corporation under the benevolent corporation laws of Missouri and to obtain a pro forma decree for this nonprofit corporation. Such corporation would be the recipient of all convention funds and would pay all expenses and attend to all other official business of the convention. After the convention such corporation would be dissolved. A ruling is requested as to (1) whether contributions from corporations would be deductible by them for Federal income tax purposes as business expenses if given to the Young Democratic Clubs of America, and in the alternative; (2) whether such contributions would be deductible if given to the proposed convention corporation.

On the basis of the information submitted it is held that contributions for the purposes of the convention made to either the Young Democratic Clubs of America or in the alternative to the convention corporation when organized by corporations engaged in a trade or business in the city of St. Louis and its environs would constitute allowable deductions as ordinary and necessary business expenses under the provisions of section 23(a) of the Internal Revenue Code in the Federal income returns provided that such donations are made with reasonable expectation of a financial return commensurate with the amount of donations.

Very truly yours,

GEO. J. SCHOENEMAN,
Commissioner.

I am sure all those who contributed had a reasonable expectation of getting value received in return; most of them were defense contractors. Let us face it, this was just a procedure to shake down some contributors and ease their burden by allowing them to claim their contributions as tax deductions.

Proof that those who made these rulings recognized the impropriety of their actions is evidenced by the fact that they went to such great lengths to keep it a secret for 10 years.

Mr. COOPER. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I will yield in a moment.

Mr. President, I ask unanimous consent that the four rulings to which I have referred be printed at this point in the RECORD.

There being no objection, the rulings were ordered to be printed in the RECORD, as follows:

TREASURY DEPARTMENT,

Washington, D.C., December 30, 1948.

Mr. RICHARD J. REYNOLDS,
Reynolds Building,
Winston-Salem, N.C.
(Attention: Mr. Stratton Coyner.)

DEAR MR. REYNOLDS: Reference is made to a letter written in your behalf by Mr. Stratton Coyner, attorney, dated December 28, 1948, in which it is stated that you have received a final settlement offer from the Democratic State Committee of New York of 10 percent of the aggregate face amount of unpaid demand notes issued by the committee, which you now hold for collection.

A ruling is requested as to whether (1) the acceptance of such offer would, for Federal income tax purposes, constitute a gift, and (2) the loss representing the difference between the aggregate face value of the notes and the amount received in full settlement would be considered as a nonbusiness debt.

The letter states that you now hold the following notes of the Democratic State Committee of New York:

Note dated February 27, 1947, payable on demand, signed by Carl Sherman, treasurer, \$75,000.

Note dated February 27, 1947, payable on demand, signed by Carl Sherman, treasurer, \$100,000.

Note dated October 14, 1944, payable on demand with interest after demand at rate of 1 percent, signed by Carl Sherman, treasurer, \$96,000.

Note of Democratic State Committee of New York dated February 27, 1947, payable on demand to Democratic State Committee of New Jersey, endorsed without recourse by the Democratic State Committee of New Jersey, by (not stated in letter), \$39,110.45.

The notes presently held by you are represented to have been issued in consummation of a series of transactions involving advances to the Democratic State Committee of New York. In all transactions it is represented that the advances were in the nature of loans inasmuch as notes were received as evidence of the obligations incurred by the committee. The representations in respect of advances made over a period of years extending back to the year 1940, the notes issued in respect of the obligations and the payments made on such notes are fully disclosed in the letter of your attorney.

It is stated in the letter that you were assured at the time the loans were negotiated that repayment of the loans, fully covered by demand notes, would be made on an annual basis. Subsequent events, however, precluded the committee from discharging, as contemplated, the several notes issued as evidence of its obligation to repay the advances made by you. It is stated further that demands have been made at various times for the payment of the notes which have resulted only in the receipt of renewal notes.

The possibility of instituting legal action against the committee, it is stated, was of no avail inasmuch as reducing the notes to judgment and throwing the committee into bankruptcy would have accomplished nothing toward the payment of the obligations. Furthermore, it is stated that the Democratic State Committee of New York has no assets of any consequence, and no uncollected enforceable pledges. A certified page from the official report of the Democratic State Committee of New York dated November 2, 1948, showing the outstanding loans payable by that committee has been submitted and, supplementary thereto, it is stated that the Democratic State Committee of New York has only a small bank balance of less than \$5,000 and office furniture for four offices and a reception room in the Biltmore Hotel in New York City.

It appears that your demands for payment of the notes finally resulted in the submission of an offer on the part of the Democratic State Committee of New York to pay in full settlement, in cash, 10 percent of the aggregate face amount of the outstanding notes. The offer is contained in a letter addressed to you under date of December 23, 1948, and signed by Mr. Carl Sherman, treasurer, Democratic State Committee of New York.

In view of the representations and data submitted it is concluded that (1) the acceptance of the offer of the treasurer, Democratic State Committee of New York, would not, for Federal income tax purposes, constitute a gift, and (2) any loss incurred resulting from such acceptance would be considered as a nonbusiness debt within the meaning of section 23(k)(4) of the Internal Revenue Code.

Very truly yours,

E. I. McLARNEY,
Deputy Commissioner.

MAY 18, 1949.

Mr. DAVID A. SCHULTE
New York, N.Y.

(Care of Gale, Bernays, Falk & Eisner).

DEAR MR. SCHULTE: Reference is made to a letter written in your behalf by Gale, Bernays, Falk & Eisner dated April 26, 1949, in which it is stated that you have received an offer from the Democratic State Committee of New York, hereinafter referred to as committee, of 10 percent of the face amount of a note of the committee in full settlement thereof. The letter dated April 8, 1949, from Mr. Carl Sherman, treasurer of that committee making such offer was submitted with the letter of April 26, 1949. In the absence of a power of attorney authorizing Gale, Bernays, Falk & Eisner to represent you this letter is being addressed to you.

A ruling is requested as to (1) whether the acceptance of such offer would, for Federal income tax purposes, constitute a gift; and (2) whether the loss incurred by your acceptance of said offer would constitute a nonbusiness bad-debt loss.

It is stated that in 1944 you were asked to lend the committee \$50,000; and that you were assured that after the campaign in 1944 the note would be gradually repaid as different finance programs made funds available. The \$50,000 was loaned to the committee and you were given a promissory note in that amount. Such note has not been paid, and the committee has informed you that it would be unable to make payment on the note or to its other note-holding creditors, but that it has been promised sufficient money to offer in settlement 10 cents on the dollar to all of its creditors.

The committee has also informed you that its principal creditor, Mr. Richard J. Reynolds, has accepted its offer and received payment, and that Mr. Marshall Field, another noteholder, has also consented to accept the offer.

Based upon the information submitted it is the opinion of this office that acceptance of the offer of the committee will not, for Federal income tax purposes, constitute a gift, and that the loss resulting from such acceptance will be considered as a nonbusiness bad debt within the meaning of section 23(k)(4) of the Internal Revenue Code.

Very truly yours,

E. I. McLARNEY,
Deputy Commissioner.

MAY 18, 1949.

Mr. MARSHALL FIELD,
New York, N.Y.

(Care of Mr. Howard A. Seitz).

DEAR MR. FIELD: Reference is made to a letter written in your behalf by Mr. Howard Seitz, your attorney, dated April 15, 1949, in which it is stated that you have received an offer from the Democratic State Committee of New York, hereinafter referred to as committee, of 10 percent of the aggregate face amount of a note of the committee in full settlement thereof.

A ruling is requested as to (1) whether the acceptance of such offer would, for Federal income tax purposes, constitute a gift; and (2) whether the loss thus incurred by your acceptance of the offer of settlement would be considered a nonbusiness bad-debt loss.

It is stated that in 1940 you were asked to lend to the committee the sum of \$50,000. The loan was made and you accepted a promissory note. The matter of payment has been discussed with the committee, and the officers of the committee have informed you that they have insufficient funds to make payment. In December, 1948, you were informed by the committee that it would be unable to make payment of the note to you or its other note-holding creditors. You have decided to accept the offer of settlement of 10 cents on the dollar.

You have been informed that Mr. Richard J. Reynolds, the principal creditor of the committee, has already accepted a similar offer of the committee, and that Mr. David A. Schulte, another creditor, has consented to do likewise.

Based upon the information submitted it is the opinion of this office that acceptance of the offer of the committee will not, for Federal income tax purposes, constitute a gift, and that the loss resulting from such acceptance will be considered a nonbusiness bad debt within the meaning of section 23(k)(4) of the Internal Revenue Code.

Very truly yours,

E. I. McLARNEY,
Deputy Commissioner.

APRIL 19, 1950.

Mr. STUYVESANT PEABODY, Jr.,
Morris Hotel,
Chicago, Ill.

DEAR MR. PEABODY: Reference is made to your inquiry as chairman of the Chicago Host Committee for National Jefferson Jubilee to be held in Chicago on May 13, 14, and 15, 1950, with respect to whether contributions made to the Committee by corporate and individual taxpayers engaged in business in the city of Chicago would be deductible for Federal income tax purposes.

You state that the Chicago Host Committee is playing host to thousands of guests who will participate in extensive panel discussions pertaining to the issues of the day. It is also intended to pay tribute to Thomas Jefferson through parades and pageants depicting his contributions to the welfare of our country. It is expected that the thousands of guests and visitors spending three days in the city of Chicago will bring new money into the community and will benefit the business of the community.

The contributions from local tradesmen are solely intended to defray the expenses to be incurred in playing host and running the above-mentioned functions. It is understood that the contributions referred to in your letter will not be used to defray the expenses of the political aspects of the event.

On the basis of the information submitted, it is held that contributions made to the Chicago Host Committee for National Jefferson Jubilee by corporate and individual taxpayers engaged in a trade or business in the city of Chicago would constitute allowable deductions as ordinary and necessary business expenses under the provisions of section 23(a) of the Internal Revenue Code, in their Federal income tax returns, provided that such donations are made with a reasonable expectation of a financial return commensurate with the amount of the donations.

Very truly yours

GEO. J. SCHOENEMAN,
Commissioner.

Mr. WILLIAMS of Delaware. There is one other ruling which I shall read. This ruling was dated September 22, 1950, and it was solicited by the Republican Committee of New Jersey. Significantly the Republicans received an adverse ruling. I ask unanimous consent that this ruling also be printed in the RECORD at this point.

There being no objection, the ruling was ordered to be printed in the RECORD, as follows:

SEPTEMBER 22, 1950.

HON. JOHN E. MANNING,
Collector of Internal Revenue,
Post Office and Courthouse,
Newark, N.J.

MY DEAR MR. MANNING: Reference is made to your letter dated September 12, 1950, in which you request advice with respect to a letter from Mr. John J. Dickerson,

chairman of the New Jersey Republican State Committee.

In his letter Mr. Dickerson states that the New Jersey Republican State Committee is sponsoring a dinner in Atlantic City on September 30, 1950, and that a question has arisen as to whether or not the purchase of tickets would constitute a deduction for Federal income tax purposes. Mr. Dickerson further states that it is his "understanding of the State law that if the taxpayer can clearly show that the purchase of the ticket was in the ordinary course of business and if his business was benefited thereby, he is entitled to deduct the cost of the ticket as a business expense."

It appears that the view expressed by Mr. Dickerson is based upon his belief that the purchase of the tickets in question may be deducted under section 23(a)(1) of the Internal Revenue Code as an ordinary and necessary business expense. The application of this provision of the law, however, depends upon the existence of facts which have not been given by Mr. Dickerson, such as the purpose in the purchase of such tickets and the use to which the money so expended will be put. It is well established that political contributions are not deductible. See section 29.23(q)-1 of regulations 111; *Textile Mills Securities Corporation v. Commissioner* (1941) 314 U.S. 326, C.B. 1941-2, 201; I.T. 3276, C.B. 1939-1 (pt. I), 108. On the other hand, contributions made by local tradesmen to business or civic organizations for the purpose of attracting and playing host to conventions or similar gatherings which will draw sizable numbers of guests and visitors to the community, may be deducted provided that such contributions are made with a reasonable expectation of a financial return commensurate with the amount contributed. See section 29.23(a)-13 of regulations 111, and I.T. 3706, 1945, C.B. 87. Accordingly, if the tickets are purchased to support the political aspects of the occasion in question (as distinguished from the business aspects attendant on obtaining new money and customers from the event, regardless of its nature), a deduction is not allowable.

Since the occasion for which the tickets are to be purchased is apparently a political one, it cannot be assumed that the purchase of such tickets by a business concern will give rise to a deduction.

Mr. Dickerson also asked to be advised whether or not a corporation is permitted to purchase tickets. Since this question concerns matters not necessarily in the jurisdiction of the Bureau and detailed information is not furnished, it does not appear to be appropriate for comment by the Bureau.

Very truly yours,

GEO. J. SCHOENEMAN,
Commissioner.

Mr. WILLIAMS of Delaware. I shall read excerpts from the ruling. This ruling is addressed to the Honorable John E. Manning, Collector of Internal Revenue, Newark, N.J.:

DEAR MR. MANNING: Reference is made to your letter dated September 12, 1950, in which you request advice with respect to a letter from Mr. John J. Dickerson, chairman of the New Jersey Republican State Committee.

In his letter Mr. Dickerson states that the New Jersey Republican State Committee is sponsoring a dinner in Atlantic City on September 30, 1950, and that a question has arisen as to whether or not the purchase of tickets would constitute a deduction for Federal income tax purposes.

Continuing, I read the next to the last paragraph:

Since the occasion for which the tickets are to be purchased is apparently a political one, it cannot be assumed that the purchase

of such tickets by a business concern will give rise to a deduction.

This ruling was negative, but notice that the rulings for the Democratic Party were all favorable.

At that time in 1958 I asked the Secretary of the Treasury to have his Department check back through the history of that Department and to furnish copies of all rulings that had been made to either political party, regardless of whether they were affirmative or negative, and they were able to furnish only these six rulings, five of them in the affirmative, all to the Democratic Party, and one negative to the Republicans.

This situation was corrected by legislation in 1958, and we thought then that the Democratic Party had learned that it was not to use Treasury rulings to help finance its political campaigns.

At that time I introduced a bill which spelled out that neither Democrats nor Republicans could classify their contributions as bad debts. That bill was passed by the Congress, and I thought we had closed the loophole; but we underestimated the ingenuity of some warped bureaucrat.

In 1964 we found that someone had come up with the ingenious idea that campaign contributions could purchase what they called advertisements, but what I prefer to call shakedowns, at \$15,000 a page, and deduct the cost as a business expense. Their names were printed in the book called "An Age of Greatness" and in the 1964 Democratic Convention programs.

It is lucky they did not go higher than \$15,000. If a company has a multi-billion-dollar defense contract, why not \$50,000 or \$100,000? There is nothing sacred about the amount when a corporation is confronted with a shakedown.

We understand that these so-called advertisers, too, were given to understand that they could write such expenditures off as a business expense for income tax purposes.

Before I leave the subject I regret to say that after the success of these two money-raising schemes had been demonstrated by the Democratic Party some in our own party thought, "Here is a rather neat idea; all that is wrong with it is that we didn't get into it first," and as a result an effort has been made by some Republicans to use this same devious device. I said then and I repeat now, you do not correct an error by copying a wrong that has been done by the other party. The only way to correct a wrong decision is to stop it—spell out in the law that neither party can do it; and that is what we have done in this bill. The Senate Finance Committee, the Treasury Department, and the conferees are unanimous in agreement that this was an ironclad amendment, and it is intended to be interpreted as completely closing this loophole. I do not intend that there be any misunderstanding in the days to come. In 1958 we corrected the bad debt rulings, and today we are correcting another highly irregular procedure of allowing contributions to be called advertisements. As one who introduced both bills in this connection, I close with this advice. If

anyone has any ideas as to how the law should be changed in the future let him spell it out in a legislative program and send it to Congress so that every taxpayer in America, I do not care whether he be Republican, Democrat, or Independent, will know exactly what the rules are.

As I say, this is the second time such an incident has happened, and I most respectfully suggest that it would not be wise for it to happen a third time. If a doubt arises as to how the law should be interpreted let the Treasury Department come to Congress or to the Joint Committee on Taxation and obtain a clarification as to the congressional intent. Frankly I do not think this was a misunderstanding in the first place; I consider it a deliberate attempt to finance a political campaign out of the Federal Treasury.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Colorado.

Mr. DOMINICK. I wonder whether the Senator could answer this kind of inquiry: Would an advertisement in any kind of pamphlet published by an organization such as COPE also be non-deductible under the terms of the amendment, COPE being not directly a political party; but is the amendment designed to cover that kind of organization as well?

Mr. WILLIAMS of Delaware. That question has been raised before, and the answer again is yes, advertisements in any program are not deductible when any part of the proceeds may be used to help any political party or candidate. The amendment spells out very clearly that any organization is covered when any part of the proceeds derived therefrom accrue to the benefit of either political party, or if they are intended to accrue in the event there is a profitable operation. So that the answer is that this amendment covers any and all organizations when any part of the proceeds accrue or are intended to accrue either directly or indirectly to the benefit of a political party or to a political candidate.

Mr. DOMINICK. I thank the Senator very much.

Mr. WILLIAMS of Delaware. I should like to express my appreciation to the Senator for asking me that question. I meant to mention it before because I, too, have received a letter raising the same question. The answer is that it does not make any difference who sponsors the affair. If any part of the proceeds of the advertisements, either directly or indirectly, it is directed to the support of a political party or any candidate they are covered by this amendment and are not deductible.

Mr. COTTON. Mr. President, will the Senator yield to me for the purpose of asking for the yeas and nays on the conference report?

Mr. WILLIAMS of Delaware. I am glad to yield to the Senator from New Hampshire for that purpose.

Mr. COTTON. Mr. President, I ask for the yeas and nays on the conference report.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. One final point, the question has been asked, would the so-called almanacs, newspapers, and so forth, that are published in various States by political parties be covered, and the answer again is "Yes." Likewise, it covers voter education and research committees and any other label that may later be designated. We have tried to think of all the various ingenious proposals that have been mentioned as well as any new labels that may later be coined. To the best of our ability we have covered them all.

I want to express my appreciation to the Senate, to the members of the Senate Finance Committee, and to the conferees for their cooperation in having this amendment approved.

Mr. CARLSON. Mr. President, I would feel remiss if a ye-and-nay vote was called on this particular conference report without expressing my commendation to the Senator from Vermont for his untiring efforts in behalf of a large number of our citizens—a substantial group who have been ineligible heretofore for coverage under the social security system. This has been a problem with which the Finance Committee has wrestled for many years.

I remember that last year, under the Revenue Act, we covered 370,000 persons. Three hundred and thirty-five thousand were based on a three-quarters coverage. There has been a lot of discussion in the Senate about the Prouty amendment and the fact that we have covered persons who have not paid into the social security fund.

In order to keep the record straight, the 335,000 persons whom we covered last year with three-quarters coverage, paid an average of \$1.50 per person.

In this particular bill we cover 370,000 at a cost of \$125 million, without any charge to the Federal Treasury.

There are still a few hundred thousand citizens in this Nation who are still ineligible for social security, for the reason that they were not eligible to apply at the time the act was passed. Of the 370,000 covered under the Prouty amendment, 335,000 are covered for the full \$35 per month, and 35,000 are for a portion of the \$35 per month. Under this proposal, a husband and wife can draw a total of \$52.50, \$35 for the husband and \$17.50 for the wife—or reversed, if that should be the situation in the instances that this would apply.

It is interesting to note that two-thirds of those covered under the Prouty amendment are women. Not only that, 80 percent of them are widows. There has been a lot of talk in the Senate this afternoon, and in previous sessions of the Senate, about these people. I am not happy about the amounts. I wish it were more. But I believe that the Senator from Vermont [Mr. Prouty] is entitled to a great deal of credit for starting out on a program of this kind. I hope that the Senate in the future will increase the amounts, which I believe to be niggardly amounts, but at least it is a start. There are still several hundred thousand citizens, who should be qualified, and who would have been qualified had they

had an opportunity to comply with the law.

Mr. President, again I say that the Senator from Vermont is entitled to great commendation for his efforts.

Mr. DOMINICK. Mr. President, I take the floor partly to make sure that I am completely accurate in my thoughts regarding this bill.

It is my understanding—and I would ask the Senator from Louisiana [Mr. LONG] if he would be kind enough to try to give me the answers, as the Senator in charge of the bill—that the major portion of the revenues which the Government anticipates raising will come from the acceleration of payments in the income tax; is that not correct?

Mr. LONG of Louisiana. Yes; the Senator is correct. Similar steps have been taken in the past under the both Democratic and Republican administrations.

Mr. DOMINICK. Let me say to the Senator in charge of the bill that I appreciate his frank answer.

We used this approach in our State at one point, under a Democratic Governor and we later referred to this approach as "Golden Gimmick No. 1." The Governor followed this golden gimmick with a couple of similar schemes. The net result of these schemes was a subsequent tax increase on individuals and corporations.

Obviously, the problem with this approach is that we get the revenue up to a high level by accelerating as much of the income tax as we can, then in order to keep up that high level of revenue, we have to raise the tax rates. We then come back to a situation which we might as well face now, where it becomes necessary, if we are going to have to do it, to raise taxes.

The other major portion of revenue is going to be raised in this bill by an increase of excise taxes on telephones and automobiles; is that not accurate?

Mr. LONG of Louisiana. From the taxes on telephones and new automobiles.

Mr. DOMINICK. Again, I appreciate the frank answer of the Senator in charge of the bill. I would say that, here again, we are restoring a tax on which we have spent literally months and years trying to eliminate; a tax which was originally imposed as a wartime tax. The Senator from Indiana offered an amendment eliminating the local tax on telephones which carried, but was eliminated from the conference report. It is my understanding that at no time did the administration oppose putting excise taxes on what might well be considered luxuries instead of necessities. I am talking about the tax on cabarets. I am talking about all kinds of luxuries which could be classified as luxuries in time of war. That is what we are in now—a period of war. It seems to me that to put the taxes on some necessity items as opposed to luxury items without taking real cognizance of what is needed in the income tax field, is a shortsighted approach.

I thank the Senator from Louisiana for his answers.

Mr. LONG of Louisiana. Mr. President, we have reduced taxes by over \$20 billion in the period 1962 through 1965. Despite this very large reduction, our revenues in the fiscal year are estimated at \$98.8 billion, higher than in any prior year. This was in no small part due to the fact that these tax reductions brought better business conditions and more employment, more income and more profits than would have been true in the absence of these bills. These reductions have brought the growth to our economy—which we must in this bill keep under control—which will reoccur in future years. The so-called “one-shot” revenue gains in this bill, together with the other revenue raised in this bill we hope will be sufficient to tide us over to the time when the continuing growth in our revenues will again be adequate to meet budget requirements.

Let me say that we predicted an increase in revenues as a result of those prior bills, and such revenues did materialize to an even greater extent than predicted. The only part we could not predict was the great increase in expenditures required because of the war in Vietnam. This bill is intended to provide such revenues to the extent needed to meet the added military expenditures in the period immediately ahead. It is hoped—although I cannot know whether they will be enough—that the growth in revenues occurring in the period after this “one shot” gain wears off, will provide the additional funds needed at that time without further tax increases.

Mr. MANSFIELD. Mr. President, because Senator SMATHERS is necessarily absent, he has asked me to make the following statement, which he has prepared, in support of the conference report on the Tax Readjustment Act of 1966.

STATEMENT BY SENATOR SMATHERS READ
BY SENATOR MANSFIELD

Mr. SMATHERS. Mr. President, I compliment the distinguished chairman of the Committee on Finance for his able presentation of the conference report on this important tax bill. As one of the conferees on this bill, I can tell the Senate of the difficult position we were in, having to argue for nontax amendments added to the bill by the Senate. There were 36 amendments added to this bill in the Senate. The Senate was forced to recede on only three of them. On another, we effected a compromise.

The amendment we compromised was offered on the floor by the junior Senator from Vermont [Mr. PROUTY]. It would have provided minimum social security benefits for persons who attain age 70 without requiring that they have prior covered employment. Without going into the details of the Prouty amendment, let me state that the House conferees were strongly opposed to this amendment for several reasons. First, they insisted it was not germane. They felt we had no right to amend a tax bill with nontax amendments. Secondly, they felt the amendment went too far in providing benefits for those who did not need them. Thirdly, they insisted it cost too much. Fourthly, they pointed to problems we had not faced when we acted on the Senator's amendment.

Despite this, the distinguished chairman of the committee insisted that he would not take a bill back to the Senate which did not contain benefits for our older citizens. Fortunately, there was some support among the House conferees for amendments of the type approved by the Senate. With this breach in their ranks we were able to work out provisions which go a long way toward filling the need upon which the Prouty amendment was premised.

Under the conference agreement, persons who reach 72 before 1968 are going to be assured a pension under the social security program of \$35 a month, even though they have no prior work experience in covered employment. If a married couple is involved, the combined pension under the substitute will be \$52.50. To make certain that these benefits go only to those who are in greatest need, the conference substitute provides that the \$35 amount or the \$52.50 amount will be reduced by amounts these persons may already receive under other Federal, State, or local retirement programs. This is the biggest single difference between the Senate amendment and the conference substitute. Benefits under the Senate amendment would have been in addition to other payments the elderly person might be receiving, while the conference agreement makes the new benefit available only where there is no other governmental pension available, or where the other benefit is quite small.

The principal amendment on which the Senate conferees had to yield was offered in the Senate by the senior Senator from Indiana [Mr. HARTKE]. It would have left the telephone tax at 3 percent on local residential service while permitting a tax of 10 percent on business calls and on long-distance service. The House conferees refused to accept this amendment for two important reasons. First, they would not permit the revenue under their bill to be depleted by the \$315 million involved under this amendment. Secondly, they felt a 2-bracket tax system for telephone service raised problems for both the telephone companies and their subscribers, as well as for the tax collector. They insisted such a tax system would be administratively difficult and set bad precedents. Because of their strong position on this amendment and because of our insistence for preserving some social security benefits for our aged citizens, the Senate conferees were compelled to yield on this telephone tax.

I need not go into the other changes made by the conferees—the chairman has ably described them. Let me just add that, on balance, I believe the Senate will agree that the Senate conferees did a remarkable job of retaining important elements of the Senate's most important amendment—social security for our needy elderly citizens.

Like the chairman, I urge the conference report be agreed to.

Mr. COOPER. Mr. President, I support the conference report on H.R. 12752 the proposed Tax Adjustment Act of 1965.

The purpose of this act is to provide revenue of approximately \$6 billion which is needed for the war in Vietnam.

The provisions to raise these funds should be voted, but in my view, it would have been better if the President had proposed a general tax measure for consideration by the Congress.

I say this, because if the war continues, I believe it will be necessary to provide additional revenues through a broader measure of tax adjustment. Also, I do not think it entirely fair to consider adjustments piecemeal and thus impose the burden on some groups rather than others.

When the bill was before the Senate last week, I voted for the amendment which would have exempted local telephone calls and local residential service from the reimposition and payment of additional excise taxes. It would have reduced these additional revenues, but the telephone is a necessity and not a luxury. The amendment was adopted by the Senate, and I am sorry it has been stricken in conference.

Now I would like to speak of the Prouty amendment to provide monthly benefits to older citizens who are not presently included in the social security system. I have wanted to see a change to provide this coverage, and last year when the Congress enacted new social security benefits in a bill I spoke and voted for, I supported the Prouty amendment in a vote in the Senate because I thought it just and needed. Important also, the amendment offered last year provided funds to pay for the benefits.

Last week, when this tax adjustment bill—a bill to provide revenues to carry on the war in South Vietnam—was before the Senate, I voted against the amendment offered by Senator PROUTY because it did not provide revenues to pay the cost. The cost would have come from taxes being levied especially to support our men who are fighting in Vietnam, and I did not feel it would have been responsible to vote new benefits without a means of payment.

I said at the time in the Senate, that if the House agreed to provide funds to pay for new benefits, so that an amendment to extend social security coverage would not cripple the war effort, I could vote for the Prouty amendment and for its benefits as I have done in past years.

The tax adjustment bill has now been reported back to the Senate after a conference with the House, and the House has agreed to provide a means of paying the cost from social security funds. The cost of extending this needed coverage to our older citizens who are 72 and over will not reduce the revenues to be raised by this bill for the requirements of the war in Vietnam in 1966 and 1967, and payments from the trust fund will be replaced in coming years.

I believe the bill reported from the conference meets the purposes I have discussed, and I will vote for it, and for the amendment which will provide social security benefits to our older citizens who are not presently eligible for benefit payments under the provisions of the Social Security Act.

The chief feature of this amendment to provide coverage for our older citizens in this bill is a monthly payment of \$35 to persons who are 72 or older, or who reach the age of 72 before 1968. In the

case of a husband and wife who are qualified, payments will be \$35 for the husband and \$17.50 for the wife, and they will begin on October 1, 1966. In the case of persons receiving benefits under other social security and retirement programs, the payments will amount to the difference between the new benefits and the amounts already being received.

I shall explain other helpful provisions of the bill to the people of my State of Kentucky, but I note the chief advance is the provision of monthly benefits to many thousands of people who could not qualify for coverage under social security and who deserve the benefits which will be provided by the provisions of this bill. The funds have been provided for these monthly payments in the bill before the Senate today, and I am happy to vote for the tax adjustment bill with the amendment providing monthly benefits for our older citizens.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

On this question, the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Tennessee [Mr. BASS], the Senator from Indiana [Mr. BAYH], the Senator from Virginia [Mr. BYRD], the Senator from Tennessee [Mr. GORE], the Senator from Alaska [Mr. GRUENING], the Senator from Arizona [Mr. HAYDEN], the Senator from New York [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Georgia [Mr. RUSSELL], and the Senator from New Jersey [Mr. WILLIAMS] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. JORDAN], the Senator from Ohio [Mr. LAUSCHE], the Senator from Wyoming [Mr. MCGEE], the Senator from Michigan [Mr. McNAMARA], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from Indiana [Mr. BAYH], the Senator from Maryland [Mr. BREWSTER], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Alaska [Mr. GRUENING], the Senator from Arizona [Mr. HAYDEN], the Senator from North Carolina [Mr. JORDAN], the Senator from New York [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Wyoming [Mr. MCGEE], the Senator from Michigan [Mr. McNAMARA], the Senator from Florida [Mr. SMATHERS], and the Senator from New Jersey [Mr. WILLIAMS] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from California [Mr. KUCHEL] is absent because of illness.

The Senator from California [Mr. MURPHY] is absent on official business.

The Senator from Pennsylvania [Mr. SCOTT] and the Senator from South

Carolina [Mr. THURMOND] are necessarily absent.

The Senator from Kansas [Mr. PEARSON] is detained on official business.

If present and voting, the senior Senator from California [Mr. KUCHEL], the junior Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] would each vote "yea."

On this vote, the Senator from Kansas [Mr. PEARSON] is paired with the Senator from South Carolina [Mr. THURMOND]. If present and voting, the Senator from Kansas would vote "nay" and the Senator from South Carolina would vote "yea."

The result was announced—yeas 72, nays 5, as follows:

[No. 57 Leg.]

YEAS—72

Aiken	Hart	Muskie
Allott	Hartke	Nelson
Bartlett	Hill	Neuberger
Bennett	Holland	Pastore
Bible	Hruska	Pell
Boggs	Inouye	Prouty
Burdick	Jackson	Proxmire
Byrd, W. Va.	Javits	Randolph
Cannon	Jordan, Idaho	Ribicoff
Carlson	Kennedy, Mass.	Robertson
Case	Long, La.	Russell, S.C.
Church	Magnuson	Saltonstall
Clark	Mansfield	Simpson
Cooper	McCarthy	Smith
Curtis	McClellan	Sparkman
Dirksen	McGovern	Stennis
Dodd	McIntyre	Symington
Douglas	Metcalf	Talmadge
Ellender	Mondale	Tower
Ervin	Monroney	Tydings
Fannin	Montoya	Williams, Del.
Fong	Morton	Yarborough
Fulbright	Moss	Young, N. Dak.
Harris	Mundt	Young, Ohio

NAYS—5

Cotton	Hickenlooper	Morse
Dominick	Miller	

NOT VOTING—23

Anderson	Hayden	Murphy
Bass	Jordan, N.C.	Pearson
Bayh	Kennedy, N.Y.	Russell, Ga.
Brewster	Kuchel	Scott
Byrd, Va.	Lausche	Smathers
Eastland	Long, Mo.	Thurmond
Gore	McGee	Williams, N.J.
Gruening	McNamara	

So the conference report was agreed to.

Mr. LONG of Louisiana. Mr. President, I move that the vote by which the conference report was agreed to be reconsidered.

Mr. PASTORE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, the successful adoption of the conference report on the Tax Readjustment Act marks another fine achievement for the junior Senator from Louisiana [Mr. LONG]. Its clearance today for the President's signature has been achieved in large measure by his effective leadership and his profound understanding of the Nation's financial structure.

As much as anyone, he is devoted to achieving effective and constructive tax measures, and we are indebted to him for his unflinching and undaunted efforts in doing so.

Additionally, the senior Senator from Delaware [Mr. WILLIAMS] is to be highly commended for his significant role in achieving success at last week's confer-

ence. He is always a tireless worker on behalf of fiscal matters, and we are grateful for his splendid assistance and unsurpassed cooperation.

To all members of the Committee on Finance, the Senate and the Nation as a whole, owe a debt of gratitude for expediting action on this vital legislation.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. I would like to ask the distinguished majority leader about the program for the balance of the day and the balance of the week, if he can tell me.

Mr. MANSFIELD. Mr. President, in response to the questions raised by the distinguished minority leader, I believe the yeas and nays have been ordered on the motion to recommit the pending business, which is under the managership of the distinguished Senator from Wisconsin [Mr. PROXMIRE]. We hope to dispose of this bill shortly. If the Senate would bear with me we would like to take up the conference report on the economic aid bill, which the Senator from Alabama [Mr. SPARKMAN] is ready to present for consideration.

Then, I would like to have the Senate go over until Thursday. There will be a short meeting on Thursday, and if things work out we would go over from Thursday until Monday.

Mr. DIRKSEN. There will be no business on Thursday?

Mr. MANSFIELD. Whatever legislation is on the calendar. There is not too much.

I yield to the Senator from Oregon.

Mr. MORSE. Did the Senator say that we are going to take up the conference report on the economic bill on southeast Asia?

Mr. MANSFIELD. The Senator is correct.

Mr. MORSE. Would the Senator be interested in a unanimous-consent agreement?

Mr. MANSFIELD. Yes, indeed.

Mr. MORSE. I would not wish to transgress upon the desires of anybody else in the Senate, but so far as I am concerned, the conference made it a much worse bill and did not help it. I opposed it. I made my case against it. It would take me 10 minutes to pay my disrespects to the bill. Any unanimous-consent agreement that gives me 10 minutes will be agreeable with me.

Mr. MANSFIELD. We shall do that at the appropriate time.

UNANIMOUS-CONSENT AGREEMENT

Mr. President, I ask unanimous consent that when the conference report comes up, there be 20 minutes for its consideration, 10 minutes to a side, with 10 minutes under the control of the senior Senator from Oregon [Mr. MORSE] and 10 minutes under the control of the Senator from Alabama [Mr. SPARKMAN].

The PRESIDING OFFICER. Is there objection? There being no objection, it is so ordered.

Mr. DIRKSEN. I did not want the agreement reached before I mentioned the fact that I am so agreeably astonished by the distinguished Senator from Oregon, and by his magnificent tolerance

this afternoon on taking only 10 minutes on the conference report, that perhaps we ought to give him a vote of thanks.

Mr. MANSFIELD. I am very appreciative.

I yield to the Senator from Florida.

Mr. HOLLAND. We could not hear the majority leader very well. There will be no session on Friday?

Mr. MANSFIELD. That is the present intention; to go over until Thursday, clear up the calendar that day, and go over until Monday. That is the intention at this time.

Mr. HOLLAND. What is the intention with reference to taking up the supplemental appropriation bill?

Mr. MANSFIELD. The present intention is to take it up on Monday.

AMENDMENT OF SMALL BUSINESS ACT

The Senate resumed the consideration of the bill (S. 2499) to amend the Small Business Act to authorize issuance and sale of participation interests based on certain pools of loans held by the Small Business Administration, and for other purposes.

Mr. PROXMIRE. Mr. President, I am going to take a very short time, only a couple of minutes, to discuss the bill. But I have to clear the record because it has been confused by opponents of the bill who want to recommit it.

It was argued that Congress will lose control of SBA appropriations and authorizations, that Congress will lose control of this program if it is recommitted.

I wish to make it crystal clear that this is not so. The hearings emphasize this. I wish to read a short part of the hearings. This is testimony from the head of the SBA. I will read four short paragraphs.

While participations sales by SBA would reduce the need for additional appropriations to the revolving fund and for increased statutory authorization for such appropriations, the agency would still be required to regularly obtain legislation to increase its loans authorized to be outstanding. As you know, section 4(c) of the Small Business Act contains two limitations on loan amounts which may be outstanding at any one time from the revolving fund.

One of the limits pertains to the aggregate amount of business and disaster loans outstanding under the Small Business Act, and the other limit is on the total outstanding amount of loans under the Small Business Investment Act of 1958.

SBA guarantees of loans are included in these limits, and no loans or guarantees may be made in excess of the limits, regardless of the amount which may be available in the revolving fund.

These restrictions, of course, would not be changed by the participations legislation. Accordingly, any funds raised by SBA through participation sales could not be utilized for additional loans except as permitted by these restrictions, which can only be raised by congressional action.

There is one other point. Questions which I put to the head of the SBA make this clear.

Now, to put my question another way, does a small business loan made under section 7(a) still count as a charge against the \$1.375 million loan ceiling even when it has been

put in a pool under paragraph 10 or an FNMA trust under paragraph 11 as security for the sale of participation certificates?

In other words, the insertion of paragraph 10 and paragraph 11 in section 5(b) as provided in S. 2499 would not amend or change in any way the ceilings imposed by section 4(c) on loans made under sections 7 and 8? And the same principle would apply to the ceiling of \$461 million on loans to SBIC's and development companies?

This was the answer by the Administrator of the Small Business Administration, Ross Davis:

I would like to state as clearly and precisely as I possibly can that the aggregate outstanding limitations specified in section 4(c) cannot and will not be exceeded by the sale of participation certificates.

What that means, simply stated, is that it will still be up to the Committee on Banking and Currency to determine how much the SBA can loan. Included on that committee are the Senator from Iowa [Mr. HICKENLOOPER], the Senator from Texas [Mr. TOWER], the Senator from South Carolina [Mr. THURMOND], the Senator from Utah [Mr. BENNETT], and the chairman of the committee, the Senator from Virginia [Mr. ROBERTSON]. I submit that it would not be possible to find five Senators who have a clearer or a better notion of economy and who will insist more earnestly on economy and careful scrutiny when this matter comes before the committee.

One concluding note: This is urgent legislation. The SBA has not been able to process a loan since October. If the Senate recommits the bill, it will mean that it will be, in my judgment, months before the SBA will be able to move ahead, as it should move ahead, to provide necessary credit to deserving small business. Congress intended this when it passed the Small Business Act.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. FULBRIGHT. Can the Senator from Wisconsin tell me how, in principle, this program differs from the program that the Eisenhower administration submitted in 1959, as I recall, for the sale of FNMA mortgages, which required a certain adjustment of interest? I voted against that procedure then. I seem to feel that this proposal may be similar to that. How am I to reconcile voting for this proposal when I voted and worked against the proposal of 1959? The Senator is familiar with what I am talking about, is he not?

Mr. PROXMIRE. Yes. It is my understanding that this proposal is a sale of participation, while in 1959 it was a sale of mortgages.

Mr. FULBRIGHT. But what is the difference? In that case, we objected that it was a taking of a loss by the Government; that it was merely a budget gimmick to make the budget of the Eisenhower administration look better than it ought to by the sale of mortgages at a discount. If this proposal is the same as that was, how will I explain why I voted as I did that time, and voted the other way this time?

Mr. PROXMIRE. The principle is similar, but I believe the situation is quite different now. The SBA is in great dif-

ficulty. The SBA needs the money now. This is a matter of providing an opportunity to SBA to get funds in the future. The SBA, eight times since 1956, has had to interrupt its loan program because it did not have funds available. This bill will make it possible for SBA in the future to make loans that are authorized to be made by law. In 1959, there was no similar urgency for FNMA's sale of mortgages.

Mr. FULBRIGHT. What bothers me is that I am for the SBA, but I do not feel that there is any virtue in being inconsistent in matters of this kind. It seems to me that I would just be varying my position according to which party was in control of the executive branch of the Government. That is all that bothers me.

Mr. PROXMIRE. I can only say to the Senator from Arkansas that he knows Emerson's quotation as well as I do.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. HOLLAND. Is it not true that in this instance the Small Business Administration has an inelastic, overall limitation which it cannot exceed, notwithstanding this provision, whereas that was not the case with reference to FNMA?

Mr. PROXMIRE. That is an excellent distinction and is true.

Mr. CASE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. CASE. Speaking of poets, I am sure the Senator remembers Walt Whitman's poem:

Do I contradict myself?

Very well then I contradict myself,
(I am large, I contain multitudes.)

The difference is that this is a proposal of the Democrats. That should be sufficient for anybody.

Mr. PROXMIRE. I thank the distinguished Senator from New Jersey; but there are other differences.

The Senator from Arkansas just asked: Does that mean that this time the Senator from New Jersey is going to be consistent and vote for the bill?

Mr. CASE. I am going to vote with the Democrats this time. I voted with the Republicans the last time.

Mr. PROXMIRE. The Senator is consistent.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. JAVITS. The Senator said there were certain built-in restrictions in making new loans out of the pooled fund. What are those restrictions? He did not state what they were. He stated there were restrictions.

Mr. PROXMIRE. The restrictions are the authorization ceiling contained in the Small Business Act.

Mr. JAVITS. In other words, the SBA cannot make new loans out of pooled funds above the authorization ceiling?

Mr. PROXMIRE. That is correct.

Mr. JAVITS. The authorization ceiling is over \$1 billion. The SBA is going to refinance a billion dollars, so it can make a billion dollars worth of new loans?



Public Law 89-368
89th Congress, H. R. 12752
March 15, 1966

An Act

To provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the “Tax Adjustment Act of 1966”.

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

Tax Adjustment
Act of 1966.

68A Stat. 3.
26 USC 1 et seq.

TITLE I—ADJUSTMENT OF CERTAIN COLLECTION
PROCEDURES

SECTION 101. INCOME TAX COLLECTED AT SOURCE.

(a) PERCENTAGE METHOD OF WITHHOLDING.—Subsection (a) of section 3402 (relating to requirement of withholding) is amended to read as follows:

68A Stat. 457;
78 Stat. 140.
26 USC 3402.

“(a) REQUIREMENT OF WITHHOLDING.—Every employer making payment of wages shall deduct and withhold upon such wages (except as otherwise provided in this section) a tax determined in accordance with the following tables. For purposes of applying such tables, the term ‘the amount of wages’ means the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b) (1):

Post, p. 41.

“Table 1—If the payroll period with respect to an employee is WEEKLY

“(a) Single Person—Including Head of Household:

the amount of wages is:

The amount of income tax to be withheld shall be:

Not over \$4.....	0.
Over \$4 but not over \$13.....	14% of excess over \$4.
Over \$13 but not over \$23.....	\$1.26 plus 15% of excess over \$13.
Over \$23 but not over \$85.....	\$2.76 plus 17% of excess over \$23.
Over \$85 but not over \$169.....	\$13.30 plus 20% of excess over \$85.
Over \$169 but not over \$212.....	\$30.10 plus 25% of excess over \$169.
Over \$212.....	\$40.85 plus 30% of excess over \$212.

80 STAT. 38.
80 STAT. 39.

“(b) Married Person:

If the amount of wages is:

The amount of income tax to be withheld shall be:

Not over \$4.....	0.
Over \$4 but not over \$23.....	14% of excess over \$4.
Over \$23 but not over \$85.....	\$2.66 plus 15% of excess over \$23.
Over \$85 but not over \$169.....	\$11.96 plus 17% of excess over \$85.
Over \$169 but not over \$340.....	\$26.24 plus 20% of excess over \$169.
Over \$340 but not over \$423.....	\$60.44 plus 25% of excess over \$340.
Over \$423.....	\$81.19 plus 30% of excess over \$423.

"Table 2—If the payroll period with respect to an employee is BIWEEKLY**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66 plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51 plus 17% of excess over \$46.
Over \$169 but not over \$338-----	\$26.42 plus 20% of excess over \$169.
Over \$338 but not over \$423-----	\$60.22 plus 25% of excess over \$338.
Over \$423-----	\$81.47 plus 30% of excess over \$423.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$169-----	\$5.32 plus 15% of excess over \$46.
Over \$169 but not over \$338-----	\$23.77 plus 17% of excess over \$169.
Over \$338 but not over \$681-----	\$52.50 plus 20% of excess over \$338.
Over \$681 but not over \$846-----	\$121.10 plus 25% of excess over \$681.
Over \$846-----	\$162.35 plus 30% of excess over \$846.

"Table 3—If the payroll period with respect to an employee is SEMIMONTHLY**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94 plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09 plus 17% of excess over \$50.
Over \$183 but not over \$367-----	\$28.70 plus 20% of excess over \$183.
Over \$367 but not over \$458-----	\$65.50 plus 25% of excess over \$367.
Over \$458-----	\$88.25 plus 30% of excess over \$458.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$183-----	\$5.88 plus 15% of excess over \$50.
Over \$183 but not over \$367-----	\$25.83 plus 17% of excess over \$183.
Over \$367 but not over \$738-----	\$57.11 plus 20% of excess over \$367.
Over \$738 but not over \$917-----	\$131.31 plus 25% of excess over \$738.
Over \$917-----	\$176.06 plus 30% of excess over \$917.

"Table 4—If the payroll period with respect to an employee is MONTHLY**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74 plus 15% of excess over \$58.
Over \$100 but not over \$367-----	\$12.04 plus 17% of excess over \$100.
Over \$367 but not over \$733-----	\$57.43 plus 20% of excess over \$367.
Over \$733 but not over \$917-----	\$130.63 plus 25% of excess over \$733.
Over \$917-----	\$176.63 plus 30% of excess over \$917.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$367-----	\$11.62 plus 15% of excess over \$100.
Over \$367 but not over \$733-----	\$51.67 plus 17% of excess over \$367.
Over \$733 but not over \$1,475-----	\$113.89 plus 20% of excess over \$733.
Over \$1,475 but not over \$1,833-----	\$262.29 plus 25% of excess over \$1,475.
Over \$1,833-----	\$351.79 plus 30% of excess over \$1,833.

"Table 5—If the payroll period with respect to an employee is QUARTERLY**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$175-----	14% of excess over \$50.
Over \$175 but not over \$300-----	\$17.50 plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25 plus 17% of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$172.25 plus 20% of excess over \$1,100.
Over \$2,200 but not over \$2,750-----	\$392.25 plus 25% of excess over \$2,200.
Over \$2,750-----	\$529.75 plus 30% of excess over \$2,750.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$1,100-----	\$35.00 plus 15% of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$155 plus 17% of excess over \$1,100.
Over \$2,200 but not over \$4,425-----	\$342 plus 20% of excess over \$2,200.
Over \$4,425 but not over \$5,500-----	\$787 plus 25% of excess over \$4,425.
Over \$5,500-----	\$1,055.75 plus 30% of excess over \$5,500.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35.00 plus 15% of excess over \$350.
Over \$600 but not over \$2,200-----	\$72.50 plus 17% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$344.50 plus 20% of excess over \$2,200.
Over \$4,400 but not over \$5,500-----	\$784.50 plus 25% of excess over \$4,400.
Over \$5,500-----	\$1,059.50 plus 30% of excess over \$5,500.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$2,200-----	\$70 plus 15% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$310 plus 17% of excess over \$2,200.
Over \$4,400 but not over \$8,850-----	\$684 plus 20% of excess over \$4,400.
Over \$8,850 but not over \$11,000-----	\$1,574 plus 25% of excess over \$8,850.
Over \$11,000-----	\$2,111.50 plus 30% of excess over \$11,000.

80 STAT. 40.

80 STAT. 41.

"Table 7—If the payroll period with respect to an employee is ANNUAL**"(a) Single Person—Including Head of Household:**

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70 plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145 plus 17% of excess over \$1,200.
Over \$4,400 but not over \$8,800-----	\$689 plus 20% of excess over \$4,400.
Over \$8,800 but not over \$11,000-----	\$1,569 plus 25% of excess over \$8,800.
Over \$11,000-----	\$2,119 plus 30% of excess over \$11,000.

“(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$4,400-----	\$140 plus 15% of excess over \$1,200.
Over \$4,400 but not over \$8,800-----	\$620 plus 17% of excess over \$4,400.
Over \$8,800 but not over \$17,700-----	\$1,368 plus 20% of excess over \$8,800.
Over \$17,700 but not over \$22,000-----	\$3,148 plus 25% of excess over \$17,700.
Over \$22,000-----	\$4,223 plus 30% of excess over \$22,000.

“Table 8—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

“(a) Single Person—including Head of Household:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period:
Not over \$0.50-----	0.
Over \$0.50 but not over \$1.90-----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20 plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10-----	\$0.41 plus 17% of excess over \$3.30.
Over \$12.10 but not over \$24.10-----	\$1.91 plus 20% of excess over \$12.10.
Over \$24.10 but not over \$30.10-----	\$4.31 plus 25% of excess over \$24.10.
Over \$30.10-----	\$5.81 plus 30% of excess over \$30.10.

“(b) Married Person:

If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period:
Not over \$0.50-----	0.
Over \$0.50 but not over \$3.30-----	14% of excess over \$0.50.
Over \$3.30 but not over \$12.10-----	\$0.39 plus 15% of excess over \$3.30.
Over \$12.10 but not over \$24.10-----	\$1.71 plus 17% of excess over \$12.10.
Over \$24.10 but not over \$48.50-----	\$3.75 plus 20% of excess over \$24.10.
Over \$48.50 but not over \$60.30-----	\$8.63 plus 25% of excess over \$48.50.
Over \$60.30-----	\$11.58 plus 30% of excess over \$60.30.”

(b) AMOUNT OF WITHHOLDING EXEMPTION.—Paragraph (1) of section 3402(b) (relating to percentage method withholding table) is amended by striking out the table set forth therein and inserting the following table in lieu thereof:

“Percentage Method Withholding Table

Payroll period	Amount of one withholding exemption:
Weekly-----	\$13.50.
Biweekly-----	26.90.
Semimonthly-----	29.20.
Monthly-----	58.30.
Quarterly-----	175.00.
Semiannual-----	350.00.
Annual-----	700.00.
Daily or miscellaneous (per day of such period).	1.90.”

(c) WAGE BRACKET WITHHOLDING.—Paragraph (1) of section 3402(c) (relating to wage bracket withholding) is amended by strik-

68A Stat. 457.
26 USC 3402.

78 Stat. 140.

ing out the tables set forth therein and inserting the following tables in lieu thereof:

"If the payroll period with respect to an employee is weekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0-----	\$4-----	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4-----	\$5-----	.10	0	0	0	0	0	0	0	0	0	0	0
\$5-----	\$6-----	.20	0	0	0	0	0	0	0	0	0	0	0
\$6-----	\$7-----	.40	0	0	0	0	0	0	0	0	0	0	0
\$7-----	\$8-----	.50	0	0	0	0	0	0	0	0	0	0	0
\$8-----	\$9-----	.70	0	0	0	0	0	0	0	0	0	0	0
\$9-----	\$10-----	.80	0	0	0	0	0	0	0	0	0	0	0
\$10-----	\$11-----	.90	0	0	0	0	0	0	0	0	0	0	0
\$11-----	\$12-----	1.10	0	0	0	0	0	0	0	0	0	0	0
\$12-----	\$13-----	1.20	0	0	0	0	0	0	0	0	0	0	0
\$13-----	\$14-----	1.40	0	0	0	0	0	0	0	0	0	0	0
\$14-----	\$15-----	1.50	0	0	0	0	0	0	0	0	0	0	0
\$15-----	\$16-----	1.70	0	0	0	0	0	0	0	0	0	0	0
\$16-----	\$17-----	1.80	0	0	0	0	0	0	0	0	0	0	0
\$17-----	\$18-----	2.00	0	0	0	0	0	0	0	0	0	0	0
\$18-----	\$19-----	2.10	.20	0	0	0	0	0	0	0	0	0	0
\$19-----	\$20-----	2.30	.30	0	0	0	0	0	0	0	0	0	0
\$20-----	\$21-----	2.40	.40	0	0	0	0	0	0	0	0	0	0
\$21-----	\$22-----	2.60	.60	0	0	0	0	0	0	0	0	0	0
\$22-----	\$23-----	2.70	.70	0	0	0	0	0	0	0	0	0	0
\$23-----	\$24-----	2.90	.90	0	0	0	0	0	0	0	0	0	0
\$24-----	\$25-----	3.00	1.00	0	0	0	0	0	0	0	0	0	0
\$25-----	\$26-----	3.20	1.10	0	0	0	0	0	0	0	0	0	0
\$26-----	\$27-----	3.40	1.30	0	0	0	0	0	0	0	0	0	0
\$27-----	\$28-----	3.50	1.40	0	0	0	0	0	0	0	0	0	0
\$28-----	\$29-----	3.70	1.60	0	0	0	0	0	0	0	0	0	0
\$29-----	\$30-----	3.90	1.70	0	0	0	0	0	0	0	0	0	0
\$30-----	\$31-----	4.10	1.90	0	0	0	0	0	0	0	0	0	0
\$31-----	\$32-----	4.20	2.00	.10	0	0	0	0	0	0	0	0	0
\$32-----	\$33-----	4.40	2.20	.20	0	0	0	0	0	0	0	0	0
\$33-----	\$34-----	4.60	2.30	.40	0	0	0	0	0	0	0	0	0
\$34-----	\$35-----	4.70	2.50	.50	0	0	0	0	0	0	0	0	0
\$35-----	\$36-----	4.90	2.60	.70	0	0	0	0	0	0	0	0	0
\$36-----	\$37-----	5.10	2.80	.80	0	0	0	0	0	0	0	0	0
\$37-----	\$38-----	5.20	3.00	.90	0	0	0	0	0	0	0	0	0
\$38-----	\$39-----	5.40	3.10	1.10	0	0	0	0	0	0	0	0	0
\$39-----	\$40-----	5.60	3.30	1.20	0	0	0	0	0	0	0	0	0
\$40-----	\$41-----	5.80	3.50	1.40	0	0	0	0	0	0	0	0	0
\$41-----	\$42-----	5.90	3.60	1.50	0	0	0	0	0	0	0	0	0
\$42-----	\$43-----	6.10	3.80	1.70	0	0	0	0	0	0	0	0	0
\$43-----	\$44-----	6.30	4.00	1.80	0	0	0	0	0	0	0	0	0
\$44-----	\$45-----	6.40	4.10	2.00	0	0	0	0	0	0	0	0	0
\$45-----	\$46-----	6.60	4.30	2.10	.20	0	0	0	0	0	0	0	0
\$46-----	\$47-----	6.80	4.50	2.30	.30	0	0	0	0	0	0	0	0
\$47-----	\$48-----	6.90	4.70	2.40	.50	0	0	0	0	0	0	0	0
\$48-----	\$49-----	7.10	4.80	2.60	.60	0	0	0	0	0	0	0	0
\$49-----	\$50-----	7.30	5.00	2.70	.70	0	0	0	0	0	0	0	0
\$50-----	\$51-----	7.50	5.20	2.90	.90	0	0	0	0	0	0	0	0
\$51-----	\$52-----	7.60	5.30	3.00	1.00	0	0	0	0	0	0	0	0
\$52-----	\$53-----	7.80	5.50	3.20	1.20	0	0	0	0	0	0	0	0
\$53-----	\$54-----	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0	0
\$54-----	\$55-----	8.10	5.80	3.60	1.40	0	0	0	0	0	0	0	0
\$55-----	\$56-----	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0	0
\$56-----	\$57-----	8.50	6.20	3.90	1.70	0	0	0	0	0	0	0	0
\$57-----	\$58-----	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0	0
\$58-----	\$59-----	8.80	6.50	4.20	2.00	.10	0	0	0	0	0	0	0
\$59-----	\$60-----	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0	0
\$60-----	\$62-----	9.20	6.90	4.70	2.40	.50	0	0	0	0	0	0	0
\$62-----	\$64-----	9.60	7.30	5.00	2.70	.70	0	0	0	0	0	0	0
\$64-----	\$66-----	9.90	7.60	5.30	3.10	1.00	0	0	0	0	0	0	0
\$66-----	\$68-----	10.30	8.00	5.70	3.40	1.30	0	0	0	0	0	0	0
\$68-----	\$70-----	10.60	8.30	6.00	3.70	1.60	0	0	0	0	0	0	0
\$70-----	\$72-----	10.90	8.60	6.40	4.10	1.90	0	0	0	0	0	0	0
\$72-----	\$74-----	11.30	9.00	6.70	4.40	2.20	.30	0	0	0	0	0	0
\$74-----	\$76-----	11.60	9.30	7.00	4.80	2.50	.50	0	0	0	0	0	0
\$76-----	\$78-----	12.00	9.70	7.40	5.10	2.80	.80	0	0	0	0	0	0
\$78-----	\$80-----	12.30	10.00	7.70	5.40	3.10	1.10	0	0	0	0	0	0
\$80-----	\$82-----	12.60	10.30	8.10	5.80	3.50	1.40	0	0	0	0	0	0
\$82-----	\$84-----	13.00	10.70	8.40	6.10	3.80	1.70	0	0	0	0	0	0
\$84-----	\$86-----	13.30	11.00	8.70	6.50	4.20	2.00	.10	0	0	0	0	0
\$86-----	\$88-----	13.70	11.40	9.10	6.80	4.50	2.30	.30	0	0	0	0	0
\$88-----	\$90-----	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0	0
\$90-----	\$92-----	14.50	12.00	9.80	7.50	5.20	2.90	.90	0	0	0	0	0
\$92-----	\$94-----	14.90	12.40	10.10	7.80	5.50	3.20	1.20	0	0	0	0	0
\$94-----	\$96-----	15.30	12.70	10.40	8.20	5.90	3.60	1.50	0	0	0	0	0
\$96-----	\$98-----	15.70	13.10	10.80	8.50	6.20	3.90	1.80	0	0	0	0	0
\$98-----	\$100-----	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0	0	0
\$100-----	\$105-----	16.80	14.10	11.70	9.40	7.10	4.80	2.60	.60	0	0	0	0
\$105-----	\$110-----	17.80	15.10	12.60	10.30	8.00	5.70	3.40	1.30	0	0	0	0
\$110-----	\$115-----	18.80	16.10	13.40	11.10	8.80	6.50	4.30	2.10	.10	0	0	0
\$115-----	\$120-----	19.80	17.10	14.40	12.00	9.70	7.40	5.10	2.80	.80	0	0	0

"If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$37	\$38	\$4.90	\$2.80	\$.90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$38	\$39	5.00	3.00	1.10	0	0	0	0	0	0	0	0	
\$39	\$40	5.20	3.10	1.20	0	0	0	0	0	0	0	0	
\$40	\$41	5.30	3.30	1.40	0	0	0	0	0	0	0	0	
\$41	\$42	5.50	3.40	1.50	0	0	0	0	0	0	0	0	
\$42	\$43	5.60	3.60	1.60	0	0	0	0	0	0	0	0	
\$43	\$44	5.80	3.70	1.80	0	0	0	0	0	0	0	0	
\$44	\$45	5.90	3.90	1.90	0	0	0	0	0	0	0	0	
\$45	\$46	6.10	4.00	2.10	.20	0	0	0	0	0	0	0	
\$46	\$47	6.20	4.20	2.20	.30	0	0	0	0	0	0	0	
\$47	\$48	6.40	4.30	2.30	.50	0	0	0	0	0	0	0	
\$48	\$49	6.50	4.50	2.50	.60	0	0	0	0	0	0	0	
\$49	\$50	6.70	4.60	2.60	.70	0	0	0	0	0	0	0	
\$50	\$51	6.80	4.80	2.80	.90	0	0	0	0	0	0	0	
\$51	\$52	7.00	4.90	2.90	1.00	0	0	0	0	0	0	0	
\$52	\$53	7.10	5.10	3.10	1.20	0	0	0	0	0	0	0	
\$53	\$54	7.30	5.20	3.20	1.30	0	0	0	0	0	0	0	
\$55	\$55	7.40	5.40	3.40	1.40	0	0	0	0	0	0	0	
\$56	\$56	7.60	5.50	3.50	1.60	0	0	0	0	0	0	0	
\$57	\$57	7.70	5.70	3.70	1.70	0	0	0	0	0	0	0	
\$58	\$58	7.90	5.80	3.80	1.90	0	0	0	0	0	0	0	
\$59	\$59	8.00	6.00	4.00	2.00	.10	0	0	0	0	0	0	
\$60	\$60	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	0	
\$62	\$62	8.40	6.40	4.30	2.30	.50	0	0	0	0	0	0	
\$64	\$64	8.70	6.70	4.60	2.60	.70	0	0	0	0	0	0	
\$66	\$66	9.00	7.00	4.90	2.90	1.00	0	0	0	0	0	0	
\$68	\$68	9.30	7.30	5.20	3.20	1.30	0	0	0	0	0	0	
\$70	\$70	9.60	7.60	5.50	3.50	1.60	0	0	0	0	0	0	
\$72	\$72	9.90	7.90	5.80	3.80	1.90	0	0	0	0	0	0	
\$74	\$74	10.20	8.20	6.10	4.10	2.10	.30	0	0	0	0	0	
\$76	\$76	10.50	8.50	6.40	4.40	2.40	.50	0	0	0	0	0	
\$78	\$78	10.80	8.80	6.70	4.70	2.70	.80	0	0	0	0	0	
\$80	\$80	11.10	9.10	7.00	5.00	3.00	1.10	0	0	0	0	0	
\$82	\$82	11.40	9.40	7.30	5.30	3.30	1.40	0	0	0	0	0	
\$84	\$84	11.70	9.70	7.60	5.60	3.60	1.70	0	0	0	0	0	
\$86	\$86	12.00	10.00	7.90	5.90	3.90	1.90	.10	0	0	0	0	
\$88	\$88	12.30	10.30	8.20	6.20	4.20	2.20	.30	0	0	0	0	
\$90	\$90	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	0	
\$92	\$92	13.00	10.90	8.80	6.80	4.80	2.80	.90	0	0	0	0	
\$94	\$94	13.30	11.20	9.10	7.10	5.10	3.10	1.20	0	0	0	0	
\$96	\$96	13.70	11.50	9.40	7.40	5.40	3.40	1.50	0	0	0	0	
\$98	\$98	14.00	11.80	9.70	7.70	5.70	3.70	1.70	0	0	0	0	
\$100	\$100	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	0	
\$105	\$105	15.00	12.70	10.60	8.50	6.50	4.50	2.50	.60	0	0	0	
\$110	\$110	15.80	13.50	11.30	9.30	7.30	5.30	3.20	1.30	0	0	0	
\$115	\$115	16.70	14.40	12.10	10.00	8.00	6.00	4.00	2.00	.10	0	0	
\$120	\$120	17.50	15.20	12.90	10.80	8.80	6.80	4.70	2.70	.80	0	0	
\$125	\$125	18.40	16.10	13.80	11.50	9.50	7.50	5.50	3.50	1.50	0	0	
\$130	\$130	19.20	16.90	14.60	12.30	10.30	8.30	6.20	4.20	2.20	.40	0	
\$135	\$135	20.10	17.80	15.50	13.20	11.00	9.00	7.00	5.00	3.00	1.10	0	
\$140	\$140	20.90	18.60	16.30	14.00	11.80	9.80	7.70	5.70	3.70	1.80	0	
\$145	\$145	21.80	19.50	17.20	14.90	12.60	10.50	8.50	6.50	4.50	2.50	.60	
\$150	\$150	22.60	20.30	18.00	15.70	13.50	11.30	9.20	7.20	5.20	3.20	1.30	
\$160	\$160	23.90	21.60	19.30	17.00	14.70	12.40	10.40	8.30	6.30	4.30	2.30	
\$170	\$170	25.60	23.30	21.00	18.70	16.40	14.10	11.90	9.80	7.80	5.80	3.80	
\$180	\$180	27.50	25.00	22.70	20.40	18.10	15.80	13.60	11.30	9.30	7.30	5.30	
\$190	\$190	29.50	26.80	24.40	22.10	19.80	17.50	15.30	13.00	10.80	8.80	6.80	
\$200	\$200	31.50	28.80	26.10	23.80	21.50	19.20	17.00	14.70	12.40	10.30	8.30	
\$210	\$210	33.50	30.80	28.10	25.50	23.20	20.90	18.70	16.40	14.10	11.80	9.80	
\$220	\$220	35.50	32.80	30.10	27.40	24.90	22.60	20.40	18.10	15.80	13.50	11.30	
\$230	\$230	37.50	34.80	32.10	29.40	26.70	24.30	22.10	19.80	17.50	15.20	12.90	
\$240	\$240	39.50	36.80	34.10	31.40	28.70	26.00	23.80	21.50	19.20	16.90	14.60	
\$250	\$250	41.50	38.80	36.10	33.40	30.70	28.00	25.50	23.20	20.90	18.60	16.30	
\$260	\$260	43.50	40.80	38.10	35.40	32.70	30.00	27.30	24.90	22.60	20.30	18.00	
\$270	\$270	45.50	42.80	40.10	37.40	34.70	32.00	29.30	26.60	24.30	22.00	19.70	
\$280	\$280	47.50	44.80	42.10	39.40	36.70	34.00	31.30	28.60	26.00	23.70	21.40	
\$290	\$290	49.50	46.80	44.10	41.40	38.70	36.00	33.30	30.60	27.90	25.40	23.10	
\$300	\$300	51.50	48.80	46.10	43.40	40.70	38.00	35.30	32.60	29.90	27.20	24.80	
\$310	\$310	53.50	50.80	48.10	45.40	42.70	40.00	37.30	34.60	31.90	29.20	26.50	
\$320	\$320	55.50	52.80	50.10	47.40	44.70	42.00	39.30	36.60	33.90	31.20	28.50	
\$330	\$330	57.50	54.80	52.10	49.40	46.70	44.00	41.30	38.60	35.90	33.20	30.50	
\$340	\$340	59.50	56.80	54.10	51.40	48.70	46.00	43.30	40.60	37.90	35.20	32.50	
\$350	\$350	61.70	58.80	56.10	53.40	50.70	48.00	45.30	42.60	39.90	37.20	34.50	
\$360	\$360	64.20	60.80	58.10	55.40	52.70	50.00	47.30	44.60	41.90	39.20	36.50	
\$370	\$370	66.70	63.30	60.10	57.40	54.70	52.00	49.30	46.60	43.90	41.20	38.50	
\$380	\$380	69.20	65.80	62.50	59.40	56.70	54.00	51.30	48.60	45.90	43.20	40.50	
\$390	\$390	71.70	68.30	65.00	61.60	58.70	56.00	53.30	50.60	47.90	45.20	42.50	
\$400	\$400	74.20	70.80	67.50	64.10	60.70	58.00	55.30	52.60	49.90	47.20	44.50	
\$410	\$410	76.70	73.30	70.00	66.60	63.20	60.00	57.30	54.60	51.90	49.20	46.50	
\$420	\$420	79.20	75.80	72.50	69.10	65.70	62.40	59.30	56.60	53.90	51.20	48.50	
\$430	\$430	81.80	78.30	75.00	71.60	68.20	64.90	61.50	58.60	55.90	53.20	50.50	
\$440	\$440	84.80	80.80	77.50	74.10	70.70	67.40	64.00	60.60	57.90	55.20	52.50	
\$450	\$450	87.80	83.80	80.00	76.60	73.20	69.90	66.50	63.10	59.90	57.20	54.50	

"If the payroll period with respect to an employee is weekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$450	\$460	\$90.80	\$86.80	\$82.70	\$79.10	\$75.70	\$72.40	\$69.00	\$65.60	\$62.30	\$59.20	\$56.50	
\$460	\$470	93.80	89.80	85.70	81.70	78.20	74.90	71.50	68.10	64.80	61.40	58.50	
\$470	\$480	96.80	92.80	88.70	84.70	80.70	77.40	74.00	70.60	67.30	63.90	60.50	
\$480	\$490	99.80	95.80	91.70	87.70	83.60	79.90	76.50	73.10	69.80	66.40	63.00	
\$490	\$500	102.80	98.80	94.70	90.70	86.60	82.60	79.00	75.60	72.30	68.90	65.50	
\$500	\$510	105.80	101.80	97.70	93.70	89.60	85.60	81.60	78.10	74.80	71.40	68.00	
\$510	\$520	108.80	104.80	100.70	96.70	92.60	88.60	84.60	80.60	77.30	73.90	70.50	
\$520	\$530	111.80	107.80	103.70	99.70	95.60	91.60	87.60	83.50	79.80	76.40	73.00	
\$530	\$540	114.80	110.80	106.70	102.70	98.60	94.60	90.60	86.50	82.50	78.90	75.50	
\$540	\$550	117.80	113.80	109.70	105.70	101.60	97.60	93.60	89.50	85.50	81.40	78.00	
\$550	\$560	120.80	116.80	112.70	108.70	104.60	100.60	96.60	92.50	88.50	84.40	80.50	
\$560	\$570	123.80	119.80	115.70	111.70	107.60	103.60	99.60	95.50	91.50	87.40	83.40	
30 percent of the excess over \$570 plus—													
\$570 and over		125.30	121.30	117.20	113.20	109.10	105.10	101.10	97.00	93.00	88.90	84.80	

"If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8	\$10	.20	0	0	0	0	0	0	0	0	0	0	0
\$10	\$12	.50	0	0	0	0	0	0	0	0	0	0	0
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0	0
\$14	\$16	1.00	0	0	0	0	0	0	0	0	0	0	0
\$16	\$18	1.30	0	0	0	0	0	0	0	0	0	0	0
\$18	\$20	1.60	0	0	0	0	0	0	0	0	0	0	0
\$20	\$22	1.90	0	0	0	0	0	0	0	0	0	0	0
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0	0
\$24	\$26	2.40	0	0	0	0	0	0	0	0	0	0	0
\$26	\$28	2.70	0	0	0	0	0	0	0	0	0	0	0
\$28	\$30	3.00	0	0	0	0	0	0	0	0	0	0	0
\$30	\$32	3.30	0	0	0	0	0	0	0	0	0	0	0
\$32	\$34	3.60	0	0	0	0	0	0	0	0	0	0	0
\$34	\$36	3.90	.10	0	0	0	0	0	0	0	0	0	0
\$36	\$38	4.20	.30	0	0	0	0	0	0	0	0	0	0
\$38	\$40	4.50	.60	0	0	0	0	0	0	0	0	0	0
\$40	\$42	4.80	.90	0	0	0	0	0	0	0	0	0	0
\$42	\$44	5.10	1.20	0	0	0	0	0	0	0	0	0	0
\$44	\$46	5.40	1.50	0	0	0	0	0	0	0	0	0	0
\$46	\$48	5.70	1.70	0	0	0	0	0	0	0	0	0	0
\$48	\$50	6.10	2.00	0	0	0	0	0	0	0	0	0	0
\$50	\$52	6.40	2.30	0	0	0	0	0	0	0	0	0	0
\$52	\$54	6.70	2.60	0	0	0	0	0	0	0	0	0	0
\$54	\$56	7.10	2.90	0	0	0	0	0	0	0	0	0	0
\$56	\$58	7.40	3.20	0	0	0	0	0	0	0	0	0	0
\$58	\$60	7.80	3.50	0	0	0	0	0	0	0	0	0	0
\$60	\$62	8.10	3.80	0	0	0	0	0	0	0	0	0	0
\$62	\$64	8.40	4.10	.20	0	0	0	0	0	0	0	0	0
\$64	\$66	8.80	4.40	.50	0	0	0	0	0	0	0	0	0
\$66	\$68	9.10	4.70	.80	0	0	0	0	0	0	0	0	0
\$68	\$70	9.50	5.00	1.00	0	0	0	0	0	0	0	0	0
\$70	\$72	9.80	5.30	1.30	0	0	0	0	0	0	0	0	0
\$72	\$74	10.10	5.60	1.60	0	0	0	0	0	0	0	0	0
\$74	\$76	10.50	5.90	1.90	0	0	0	0	0	0	0	0	0
\$76	\$78	10.80	6.20	2.20	0	0	0	0	0	0	0	0	0
\$78	\$80	11.20	6.60	2.40	0	0	0	0	0	0	0	0	0
\$80	\$82	11.50	6.90	2.70	0	0	0	0	0	0	0	0	0
\$82	\$84	11.80	7.30	3.00	0	0	0	0	0	0	0	0	0
\$84	\$86	12.20	7.60	3.30	0	0	0	0	0	0	0	0	0
\$86	\$88	12.50	7.90	3.60	0	0	0	0	0	0	0	0	0
\$88	\$90	12.90	8.30	3.90	.10	0	0	0	0	0	0	0	0
\$90	\$92	13.20	8.60	4.20	.40	0	0	0	0	0	0	0	0
\$92	\$94	13.50	9.00	4.50	.60	0	0	0	0	0	0	0	0
\$94	\$96	13.90	9.30	4.80	.90	0	0	0	0	0	0	0	0
\$96	\$98	14.20	9.60	5.10	1.20	0	0	0	0	0	0	0	0
\$98	\$100	14.60	10.00	5.40	1.50	0	0	0	0	0	0	0	0
\$100	\$102	14.90	10.30	5.70	1.80	0	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is biweekly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$102.....	\$104.....	\$15.20	\$10.70	\$6.10	\$2.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$104.....	\$106.....	15.60	11.00	6.40	2.30	0	0	0	0	0	0	0
\$106.....	\$108.....	15.90	11.30	6.80	2.60	0	0	0	0	0	0	0
\$108.....	\$110.....	16.30	11.70	7.10	2.90	0	0	0	0	0	0	0
\$110.....	\$112.....	16.60	12.00	7.40	3.20	0	0	0	0	0	0	0
\$112.....	\$114.....	16.90	12.40	7.80	3.50	0	0	0	0	0	0	0
\$114.....	\$116.....	17.30	12.70	8.10	3.80	0	0	0	0	0	0	0
\$116.....	\$118.....	17.60	13.00	8.50	4.10	.20	0	0	0	0	0	0
\$118.....	\$120.....	18.00	13.40	8.80	4.40	.50	0	0	0	0	0	0
\$120.....	\$124.....	18.50	13.90	9.30	4.80	.90	0	0	0	0	0	0
\$124.....	\$128.....	19.20	14.60	10.00	5.40	1.50	0	0	0	0	0	0
\$128.....	\$132.....	19.80	15.30	10.70	6.10	2.00	0	0	0	0	0	0
\$132.....	\$136.....	20.50	15.90	11.40	6.80	2.60	0	0	0	0	0	0
\$136.....	\$140.....	21.20	16.60	12.00	7.50	3.20	0	0	0	0	0	0
\$140.....	\$144.....	21.90	17.30	12.70	8.10	3.80	0	0	0	0	0	0
\$144.....	\$148.....	22.60	18.00	13.40	8.80	4.40	.50	0	0	0	0	0
\$148.....	\$152.....	23.20	18.70	14.10	9.50	5.00	1.10	0	0	0	0	0
\$152.....	\$156.....	23.90	19.30	14.80	10.20	5.60	1.60	0	0	0	0	0
\$156.....	\$160.....	24.60	20.00	15.40	10.90	6.30	2.20	0	0	0	0	0
\$160.....	\$164.....	25.30	20.70	16.10	11.50	7.00	2.80	0	0	0	0	0
\$164.....	\$168.....	26.00	21.40	16.80	12.20	7.60	3.40	0	0	0	0	0
\$168.....	\$172.....	26.70	22.10	17.50	12.90	8.30	4.00	.10	0	0	0	0
\$172.....	\$176.....	27.50	22.70	18.20	13.60	9.00	4.60	.70	0	0	0	0
\$176.....	\$180.....	28.30	23.40	18.80	14.30	9.70	5.20	1.20	0	0	0	0
\$180.....	\$184.....	29.10	24.10	19.50	14.90	10.40	5.80	1.80	0	0	0	0
\$184.....	\$188.....	29.90	24.80	20.20	15.60	11.00	6.50	2.30	0	0	0	0
\$188.....	\$192.....	30.70	25.50	20.90	16.30	11.70	7.10	2.90	0	0	0	0
\$192.....	\$196.....	31.50	26.10	21.60	17.00	12.40	7.80	3.50	0	0	0	0
\$196.....	\$200.....	32.30	26.90	22.20	17.70	13.10	8.50	4.10	.30	0	0	0
\$200.....	\$210.....	33.70	28.30	23.40	18.90	14.30	9.70	5.20	1.20	0	0	0
\$210.....	\$220.....	35.70	30.30	25.10	20.60	16.00	11.40	6.80	2.60	0	0	0
\$220.....	\$230.....	37.70	32.30	26.90	22.30	17.70	13.10	8.50	4.10	.30	0	0
\$230.....	\$240.....	39.70	34.30	28.90	24.00	19.40	14.80	10.20	5.60	1.70	0	0
\$240.....	\$250.....	41.70	36.30	30.90	25.70	21.10	16.50	11.90	7.30	3.10	0	0
\$250.....	\$260.....	43.70	38.30	32.90	27.50	22.80	18.20	13.60	9.00	4.60	.70	0
\$260.....	\$270.....	45.70	40.30	34.90	29.50	24.50	19.90	15.30	10.70	6.20	2.10	0
\$270.....	\$280.....	47.70	42.30	36.90	31.50	26.20	21.60	17.00	12.40	7.90	3.60	0
\$280.....	\$290.....	49.70	44.30	38.90	33.50	28.10	23.30	18.70	14.10	9.60	5.10	1.10
\$290.....	\$300.....	51.70	46.30	40.90	35.50	30.10	25.00	20.40	15.80	11.30	6.70	2.50
\$300.....	\$320.....	54.70	49.30	43.90	38.50	33.10	27.70	23.00	18.40	13.80	9.20	4.80
\$320.....	\$340.....	58.70	53.30	47.90	42.50	37.10	31.70	26.40	21.80	17.20	12.60	8.10
\$340.....	\$360.....	63.20	57.30	51.90	46.50	41.10	35.70	30.30	25.20	20.60	16.00	11.50
\$360.....	\$380.....	68.20	61.50	55.90	50.50	45.10	39.70	34.30	29.00	24.00	19.40	14.90
\$380.....	\$400.....	73.20	66.50	59.90	54.50	49.10	43.70	38.30	33.00	27.60	22.80	18.30
\$400.....	\$420.....	78.20	71.50	64.80	58.50	53.10	47.70	42.30	37.00	31.60	26.20	21.70
\$420.....	\$440.....	83.60	76.50	69.80	63.00	57.10	51.70	46.30	41.00	35.60	30.20	25.10
\$440.....	\$460.....	89.60	81.50	74.80	68.00	61.30	55.70	50.30	45.00	39.60	34.20	28.80
\$460.....	\$480.....	95.60	87.50	79.80	73.00	66.30	59.70	54.30	49.00	43.60	38.20	32.80
\$480.....	\$500.....	101.60	93.50	85.40	78.00	71.30	64.60	58.30	53.00	47.60	42.20	36.80
\$500.....	\$520.....	107.60	99.50	91.40	83.30	76.30	69.60	62.80	57.00	51.60	46.20	40.80
\$520.....	\$540.....	113.60	105.50	97.40	89.30	81.30	74.60	67.80	61.10	55.60	50.20	44.80
\$540.....	\$560.....	119.60	111.50	103.40	95.30	87.30	79.60	72.80	66.10	59.60	54.20	48.80
\$560.....	\$580.....	125.60	117.50	109.40	101.30	93.30	85.20	77.80	71.10	64.40	58.20	52.80
\$580.....	\$600.....	131.60	123.50	115.40	107.30	99.30	91.20	83.10	76.10	69.40	62.70	56.80
\$600.....	\$620.....	137.60	129.50	121.40	113.30	105.30	97.20	89.10	81.10	74.40	67.70	60.90
\$620.....	\$640.....	143.60	135.50	127.40	119.30	111.30	103.20	95.10	87.00	79.40	72.70	65.90
\$640.....	\$660.....	149.60	141.50	133.40	125.30	117.30	109.20	101.10	93.00	85.00	77.70	70.90
\$660.....	\$680.....	155.60	147.50	139.40	131.30	123.30	115.20	107.10	99.00	91.00	82.90	75.90
\$680.....	\$700.....	161.60	153.50	145.40	137.30	129.30	121.20	113.10	105.00	97.00	88.90	80.90
\$700.....	\$720.....	167.60	159.50	151.40	143.30	135.30	127.20	119.10	111.00	103.00	94.90	86.80
30 percent of the excess over \$720 plus—												
\$720 and over.....		170.60	162.50	154.40	146.30	138.30	130.20	122.10	114.00	106.00	97.90	89.80

"If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$8.....	\$10.....	.20	0	0	0	0	0	0	0	0	0	0	
\$10.....	\$12.....	.50	0	0	0	0	0	0	0	0	0	0	
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0	
\$14.....	\$16.....	1.00	0	0	0	0	0	0	0	0	0	0	
\$16.....	\$18.....	1.30	0	0	0	0	0	0	0	0	0	0	
\$18.....	\$20.....	1.60	0	0	0	0	0	0	0	0	0	0	
\$20.....	\$22.....	1.90	0	0	0	0	0	0	0	0	0	0	
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0	
\$24.....	\$26.....	2.40	0	0	0	0	0	0	0	0	0	0	
\$26.....	\$28.....	2.70	0	0	0	0	0	0	0	0	0	0	
\$28.....	\$30.....	3.00	0	0	0	0	0	0	0	0	0	0	
\$30.....	\$32.....	3.30	0	0	0	0	0	0	0	0	0	0	
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0	
\$34.....	\$36.....	3.80	.10	0	0	0	0	0	0	0	0	0	
\$36.....	\$38.....	4.10	.30	0	0	0	0	0	0	0	0	0	
\$38.....	\$40.....	4.40	.60	0	0	0	0	0	0	0	0	0	
\$40.....	\$42.....	4.70	.90	0	0	0	0	0	0	0	0	0	
\$42.....	\$44.....	4.90	1.20	0	0	0	0	0	0	0	0	0	
\$44.....	\$46.....	5.20	1.50	0	0	0	0	0	0	0	0	0	
\$46.....	\$48.....	5.50	1.70	0	0	0	0	0	0	0	0	0	
\$48.....	\$50.....	5.80	2.00	0	0	0	0	0	0	0	0	0	
\$50.....	\$52.....	6.10	2.30	0	0	0	0	0	0	0	0	0	
\$52.....	\$54.....	6.40	2.60	0	0	0	0	0	0	0	0	0	
\$54.....	\$56.....	6.70	2.90	0	0	0	0	0	0	0	0	0	
\$56.....	\$58.....	7.00	3.10	0	0	0	0	0	0	0	0	0	
\$58.....	\$60.....	7.30	3.40	0	0	0	0	0	0	0	0	0	
\$60.....	\$62.....	7.60	3.70	0	0	0	0	0	0	0	0	0	
\$62.....	\$64.....	7.90	4.00	.20	0	0	0	0	0	0	0	0	
\$64.....	\$66.....	8.20	4.30	.50	0	0	0	0	0	0	0	0	
\$66.....	\$68.....	8.50	4.50	.80	0	0	0	0	0	0	0	0	
\$68.....	\$70.....	8.80	4.80	1.00	0	0	0	0	0	0	0	0	
\$70.....	\$72.....	9.10	5.10	1.30	0	0	0	0	0	0	0	0	
\$72.....	\$74.....	9.40	5.40	1.60	0	0	0	0	0	0	0	0	
\$74.....	\$76.....	9.70	5.70	1.90	0	0	0	0	0	0	0	0	
\$76.....	\$78.....	10.00	6.00	2.20	0	0	0	0	0	0	0	0	
\$78.....	\$80.....	10.30	6.30	2.40	0	0	0	0	0	0	0	0	
\$80.....	\$82.....	10.60	6.60	2.70	0	0	0	0	0	0	0	0	
\$82.....	\$84.....	10.90	6.90	3.00	0	0	0	0	0	0	0	0	
\$84.....	\$86.....	11.20	7.20	3.30	0	0	0	0	0	0	0	0	
\$86.....	\$88.....	11.50	7.50	3.60	0	0	0	0	0	0	0	0	
\$88.....	\$90.....	11.80	7.80	3.80	.10	0	0	0	0	0	0	0	
\$90.....	\$92.....	12.10	8.10	4.10	.40	0	0	0	0	0	0	0	
\$92.....	\$94.....	12.40	8.40	4.40	.60	0	0	0	0	0	0	0	
\$94.....	\$96.....	12.70	8.70	4.70	.90	0	0	0	0	0	0	0	
\$96.....	\$98.....	13.00	9.00	5.00	1.20	0	0	0	0	0	0	0	
\$98.....	\$100.....	13.30	9.30	5.20	1.50	0	0	0	0	0	0	0	
\$100.....	\$102.....	13.60	9.60	5.50	1.80	0	0	0	0	0	0	0	
\$102.....	\$104.....	13.90	9.90	5.80	2.00	0	0	0	0	0	0	0	
\$104.....	\$106.....	14.20	10.20	6.10	2.30	0	0	0	0	0	0	0	
\$106.....	\$108.....	14.50	10.50	6.40	2.60	0	0	0	0	0	0	0	
\$108.....	\$110.....	14.80	10.80	6.70	2.90	0	0	0	0	0	0	0	
\$110.....	\$112.....	15.10	11.10	7.00	3.20	0	0	0	0	0	0	0	
\$112.....	\$114.....	15.40	11.40	7.30	3.40	0	0	0	0	0	0	0	
\$114.....	\$116.....	15.70	11.70	7.60	3.70	0	0	0	0	0	0	0	
\$116.....	\$118.....	16.00	12.00	7.90	4.00	.20	0	0	0	0	0	0	
\$118.....	\$120.....	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	0	
\$120.....	\$124.....	16.80	12.70	8.70	4.70	.90	0	0	0	0	0	0	
\$124.....	\$128.....	17.40	13.30	9.30	5.30	1.50	0	0	0	0	0	0	
\$128.....	\$132.....	18.00	13.90	9.90	5.80	2.00	0	0	0	0	0	0	
\$132.....	\$136.....	18.60	14.50	10.50	6.40	2.60	0	0	0	0	0	0	
\$136.....	\$140.....	19.20	15.10	11.10	7.00	3.20	0	0	0	0	0	0	
\$140.....	\$144.....	19.80	15.70	11.70	7.60	3.70	0	0	0	0	0	0	
\$144.....	\$148.....	20.40	16.30	12.30	8.20	4.30	.50	0	0	0	0	0	
\$148.....	\$152.....	21.00	16.90	12.90	8.80	4.80	1.10	0	0	0	0	0	
\$152.....	\$156.....	21.60	17.50	13.50	9.40	5.40	1.60	0	0	0	0	0	
\$156.....	\$160.....	22.20	18.10	14.10	10.00	6.00	2.20	0	0	0	0	0	
\$160.....	\$164.....	22.80	18.70	14.70	10.60	6.60	2.80	0	0	0	0	0	
\$164.....	\$168.....	23.40	19.30	15.30	11.20	7.20	3.30	0	0	0	0	0	
\$168.....	\$172.....	24.00	19.90	15.90	11.80	7.80	3.90	.10	0	0	0	0	
\$172.....	\$176.....	24.70	20.50	16.50	12.40	8.40	4.40	.70	0	0	0	0	
\$176.....	\$180.....	25.30	21.10	17.10	13.00	9.00	5.00	1.20	0	0	0	0	
\$180.....	\$184.....	26.00	21.70	17.70	13.60	9.60	5.60	1.80	0	0	0	0	
\$184.....	\$188.....	26.70	22.30	18.30	14.20	10.20	6.20	2.30	0	0	0	0	
\$188.....	\$192.....	27.40	22.90	18.90	14.80	10.80	6.80	2.90	0	0	0	0	
\$192.....	\$196.....	28.10	23.50	19.50	15.40	11.40	7.40	3.50	0	0	0	0	
\$196.....	\$200.....	28.70	24.20	20.10	16.00	12.00	8.00	4.00	.30	0	0	0	
\$200.....	\$210.....	29.90	25.40	21.10	17.10	13.10	9.00	5.00	1.20	0	0	0	
\$210.....	\$220.....	31.60	27.10	22.60	18.60	14.60	10.50	6.50	2.60	0	0	0	
\$220.....	\$230.....	33.30	28.80	24.20	20.10	16.10	12.00	8.00	4.00	.30	0	0	
\$230.....	\$240.....	35.00	30.50	25.90	21.60	17.60	13.50	9.50	5.40	1.70	0	0	
\$240.....	\$250.....	36.70	32.20	27.60	23.10	19.10	15.00	11.00	6.90	3.10	0	0	
\$250.....	\$260.....	38.40	33.90	29.30	24.70	20.60	16.50	12.50	8.40	4.50	.70	0	

"If the payroll period with respect to an employee is biweekly and he is married—

And the wages are—		And the number of withholding exemptions claimed —										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260.....	\$270.....	\$40.10	\$35.60	\$31.00	\$26.40	\$22.10	\$18.00	\$14.00	\$9.90	\$5.90	\$2.10	\$0
\$270.....	\$280.....	41.80	37.30	32.70	28.10	23.60	19.50	15.50	11.40	7.40	3.50	0
\$280.....	\$290.....	43.50	39.00	34.40	29.80	25.20	21.00	17.00	12.90	8.90	4.90	1.10
\$290.....	\$300.....	45.20	40.70	36.10	31.60	26.90	22.50	18.50	14.40	10.40	6.40	2.50
\$300.....	\$320.....	47.80	43.20	38.60	34.00	29.50	24.90	20.70	16.70	12.70	8.60	4.60
\$320.....	\$340.....	51.20	46.60	42.00	37.40	32.90	28.30	23.70	19.70	15.70	11.60	7.60
\$340.....	\$360.....	54.90	50.00	45.40	40.80	36.30	31.70	27.10	22.70	18.70	14.60	10.60
\$360.....	\$380.....	58.90	53.50	48.80	44.20	39.70	35.10	30.50	25.90	21.70	17.60	13.60
\$380.....	\$400.....	62.90	57.50	52.20	47.60	43.10	38.50	33.90	29.30	24.80	20.60	16.60
\$400.....	\$420.....	66.90	61.50	56.20	51.00	46.50	41.90	37.30	32.70	28.20	23.60	19.60
\$420.....	\$440.....	70.90	65.50	60.20	54.80	49.90	45.30	40.70	36.10	31.60	27.00	22.60
\$440.....	\$460.....	74.90	69.50	64.20	58.80	53.40	48.70	44.10	39.50	35.00	30.40	25.80
\$460.....	\$480.....	78.90	73.50	68.20	62.80	57.40	52.10	47.50	42.90	38.40	33.80	29.20
\$480.....	\$500.....	82.90	77.50	72.20	66.80	61.40	56.00	50.90	46.30	41.80	37.20	32.60
\$500.....	\$520.....	86.90	81.50	76.20	70.80	65.40	60.00	54.60	49.70	45.20	40.60	36.00
\$520.....	\$540.....	90.90	85.50	80.20	74.80	69.40	64.00	58.60	53.20	48.60	44.00	39.40
\$540.....	\$560.....	94.90	89.50	84.20	78.80	73.40	68.00	62.60	57.20	52.00	47.40	42.80
\$560.....	\$580.....	98.90	93.50	88.20	82.80	77.40	72.00	66.60	61.20	55.80	50.80	46.20
\$580.....	\$600.....	102.90	97.50	92.20	86.80	81.40	76.00	70.60	65.20	59.80	54.50	49.60
\$600.....	\$620.....	106.90	101.50	96.20	90.80	85.40	80.00	74.60	69.20	63.80	58.50	53.10
\$620.....	\$640.....	110.90	105.50	100.20	94.80	89.40	84.00	78.60	73.20	67.80	62.50	57.10
\$640.....	\$660.....	114.90	109.50	104.20	98.80	93.40	88.00	82.60	77.20	71.80	66.50	61.10
\$660.....	\$680.....	118.90	113.50	108.20	102.80	97.40	92.00	86.60	81.20	75.80	70.50	65.10
\$680.....	\$700.....	123.40	117.50	112.20	106.80	101.40	96.00	90.60	85.20	79.80	74.50	69.10
\$700.....	\$720.....	128.40	121.70	116.20	110.80	105.40	100.00	94.60	89.20	83.80	78.50	73.10
\$720.....	\$740.....	133.40	126.70	120.20	114.80	109.40	104.00	98.60	93.20	87.80	82.50	77.10
\$740.....	\$760.....	138.40	131.70	124.90	118.80	113.40	108.00	102.60	97.20	91.80	86.50	81.10
\$760.....	\$780.....	143.40	136.70	129.90	123.20	117.40	112.00	106.60	101.20	95.80	90.50	85.10
\$780.....	\$800.....	148.40	141.70	134.90	128.20	121.50	116.00	110.60	105.20	99.80	94.50	89.10
\$800.....	\$820.....	153.40	146.70	139.90	133.20	126.50	120.00	114.60	109.20	103.80	98.50	93.10
\$820.....	\$840.....	158.40	151.70	144.90	138.20	131.50	124.70	118.60	113.20	107.80	102.50	97.10
\$840.....	\$860.....	163.60	156.70	149.90	143.20	136.50	129.70	123.00	117.20	111.80	106.50	101.10
\$860.....	\$880.....	169.60	161.70	154.90	148.20	141.50	134.70	128.00	121.30	115.80	110.50	105.10
\$880.....	\$900.....	175.60	167.50	159.90	153.20	146.50	139.70	133.00	126.30	119.80	114.50	109.10
\$900.....	\$920.....	181.60	173.50	165.40	158.20	151.50	144.70	138.00	131.30	124.50	118.50	113.10
\$920.....	\$940.....	187.60	179.50	171.40	163.30	156.50	149.70	143.00	136.30	129.50	122.80	117.10
\$940.....	\$960.....	193.60	185.50	177.40	169.30	161.50	154.70	148.00	141.30	134.50	127.80	121.10
\$960.....	\$980.....	199.60	191.50	183.40	175.30	167.30	159.70	153.00	146.30	139.50	132.80	126.10
\$980.....	\$1,000.....	205.60	197.50	189.40	181.30	173.30	165.20	158.00	151.30	144.50	137.80	131.10
\$1,000.....	\$1,020.....	211.60	203.50	195.40	187.30	179.30	171.20	163.10	156.30	149.50	142.80	136.10
\$1,020.....	\$1,040.....	217.60	209.50	201.40	193.30	185.30	177.20	169.10	161.30	154.50	147.80	141.10
\$1,040.....	\$1,060.....	223.60	215.50	207.40	199.30	191.30	183.20	175.10	167.00	159.50	152.80	146.10
\$1,060.....	\$1,080.....	229.60	221.50	213.40	205.30	197.30	189.20	181.10	173.00	165.00	157.80	151.10
\$1,080.....	\$1,100.....	235.60	227.50	219.40	211.30	203.30	195.20	187.10	179.00	171.00	162.90	156.10
\$1,100.....	\$1,120.....	241.60	233.50	225.40	217.30	209.30	201.20	193.10	185.00	177.00	168.90	161.10
\$1,120.....	\$1,140.....	247.60	239.50	231.40	223.30	215.30	207.20	199.10	191.00	183.00	174.90	166.80
30 percent of the excess over \$1,140 plus—												
\$1,140 and over.....		250.60	242.50	234.40	226.30	218.30	210.20	202.10	194.00	186.00	177.90	169.80

"If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$8	\$10	.10	0	0	0	0	0	0	0	0	0	0	
\$10	\$12	.40	0	0	0	0	0	0	0	0	0	0	
\$12	\$14	.70	0	0	0	0	0	0	0	0	0	0	
\$14	\$16	.90	0	0	0	0	0	0	0	0	0	0	
\$16	\$18	1.20	0	0	0	0	0	0	0	0	0	0	
\$18	\$20	1.50	0	0	0	0	0	0	0	0	0	0	
\$20	\$22	1.80	0	0	0	0	0	0	0	0	0	0	
\$22	\$24	2.10	0	0	0	0	0	0	0	0	0	0	
\$24	\$26	2.30	0	0	0	0	0	0	0	0	0	0	
\$26	\$28	2.60	0	0	0	0	0	0	0	0	0	0	
\$28	\$30	2.90	0	0	0	0	0	0	0	0	0	0	
\$30	\$32	3.20	0	0	0	0	0	0	0	0	0	0	
\$32	\$34	3.50	0	0	0	0	0	0	0	0	0	0	
\$34	\$36	3.80	0	0	0	0	0	0	0	0	0	0	
\$36	\$38	4.10	0	0	0	0	0	0	0	0	0	0	
\$38	\$40	4.40	.20	0	0	0	0	0	0	0	0	0	
\$40	\$42	4.70	.50	0	0	0	0	0	0	0	0	0	
\$42	\$44	5.00	.80	0	0	0	0	0	0	0	0	0	
\$44	\$46	5.30	1.10	0	0	0	0	0	0	0	0	0	
\$46	\$48	5.60	1.30	0	0	0	0	0	0	0	0	0	
\$48	\$50	5.90	1.60	0	0	0	0	0	0	0	0	0	
\$50	\$52	6.20	1.90	0	0	0	0	0	0	0	0	0	
\$52	\$54	6.60	2.20	0	0	0	0	0	0	0	0	0	
\$54	\$56	6.90	2.50	0	0	0	0	0	0	0	0	0	
\$56	\$58	7.20	2.70	0	0	0	0	0	0	0	0	0	
\$58	\$60	7.60	3.00	0	0	0	0	0	0	0	0	0	
\$60	\$62	7.90	3.30	0	0	0	0	0	0	0	0	0	
\$62	\$64	8.30	3.60	0	0	0	0	0	0	0	0	0	
\$64	\$66	8.60	3.90	0	0	0	0	0	0	0	0	0	
\$66	\$68	8.90	4.20	0	0	0	0	0	0	0	0	0	
\$68	\$70	9.30	4.50	.30	0	0	0	0	0	0	0	0	
\$70	\$72	9.60	4.80	.60	0	0	0	0	0	0	0	0	
\$72	\$74	10.00	5.10	.90	0	0	0	0	0	0	0	0	
\$74	\$76	10.30	5.40	1.20	0	0	0	0	0	0	0	0	
\$76	\$78	10.60	5.70	1.40	0	0	0	0	0	0	0	0	
\$78	\$80	11.00	6.00	1.70	0	0	0	0	0	0	0	0	
\$80	\$82	11.30	6.40	2.00	0	0	0	0	0	0	0	0	
\$82	\$84	11.70	6.70	2.30	0	0	0	0	0	0	0	0	
\$84	\$86	12.00	7.00	2.60	0	0	0	0	0	0	0	0	
\$86	\$88	12.30	7.40	2.80	0	0	0	0	0	0	0	0	
\$88	\$90	12.70	7.70	3.10	0	0	0	0	0	0	0	0	
\$90	\$92	13.00	8.10	3.40	0	0	0	0	0	0	0	0	
\$92	\$94	13.40	8.40	3.70	0	0	0	0	0	0	0	0	
\$94	\$96	13.70	8.70	4.00	0	0	0	0	0	0	0	0	
\$96	\$98	14.00	9.10	4.30	.20	0	0	0	0	0	0	0	
\$98	\$100	14.40	9.40	4.60	.40	0	0	0	0	0	0	0	
\$100	\$102	14.70	9.80	4.90	.70	0	0	0	0	0	0	0	
\$102	\$104	15.10	10.10	5.20	1.00	0	0	0	0	0	0	0	
\$104	\$106	15.40	10.40	5.50	1.30	0	0	0	0	0	0	0	
\$106	\$108	15.70	10.80	5.80	1.60	0	0	0	0	0	0	0	
\$108	\$110	16.10	11.10	6.20	1.80	0	0	0	0	0	0	0	
\$110	\$112	16.40	11.50	6.50	2.10	0	0	0	0	0	0	0	
\$112	\$114	16.80	11.80	6.80	2.40	0	0	0	0	0	0	0	
\$114	\$116	17.10	12.10	7.20	2.70	0	0	0	0	0	0	0	
\$116	\$118	17.40	12.50	7.50	3.00	0	0	0	0	0	0	0	
\$118	\$120	17.80	12.80	7.90	3.30	0	0	0	0	0	0	0	
\$120	\$124	18.30	13.30	8.40	3.70	0	0	0	0	0	0	0	
\$124	\$128	19.00	14.00	9.00	4.30	.10	0	0	0	0	0	0	
\$128	\$132	19.60	14.70	9.70	4.90	.70	0	0	0	0	0	0	
\$132	\$136	20.30	15.40	10.40	5.50	1.30	0	0	0	0	0	0	
\$136	\$140	21.00	16.00	11.10	6.10	1.80	0	0	0	0	0	0	
\$140	\$144	21.70	16.70	11.80	6.80	2.40	0	0	0	0	0	0	
\$144	\$148	22.40	17.40	12.40	7.50	2.90	0	0	0	0	0	0	
\$148	\$152	23.00	18.10	13.10	8.20	3.50	0	0	0	0	0	0	
\$152	\$156	23.70	18.80	13.80	8.80	4.10	0	0	0	0	0	0	
\$156	\$160	24.40	19.40	14.50	9.50	4.70	.50	0	0	0	0	0	
\$160	\$164	25.10	20.10	15.20	10.20	5.30	1.10	0	0	0	0	0	
\$164	\$168	25.80	20.80	15.80	10.90	5.90	1.70	0	0	0	0	0	
\$168	\$172	26.40	21.50	16.50	11.60	6.60	2.20	0	0	0	0	0	
\$172	\$176	27.10	22.20	17.20	12.20	7.30	2.80	0	0	0	0	0	
\$176	\$180	27.80	22.80	17.90	12.90	8.00	3.40	0	0	0	0	0	
\$180	\$184	28.50	23.50	18.60	13.60	8.60	4.00	0	0	0	0	0	
\$184	\$188	29.20	24.20	19.20	14.30	9.30	4.60	.40	0	0	0	0	
\$188	\$192	30.00	24.90	19.90	15.00	10.00	5.20	.90	0	0	0	0	
\$192	\$196	30.80	25.60	20.60	15.60	10.70	5.80	1.50	0	0	0	0	
\$196	\$200	31.60	26.20	21.30	16.30	11.40	6.40	2.10	0	0	0	0	
\$200	\$210	33.00	27.40	22.50	17.50	12.60	7.60	3.00	0	0	0	0	
\$210	\$220	35.00	29.20	24.20	19.20	14.30	9.30	4.50	.40	0	0	0	
\$220	\$230	37.00	31.20	25.90	20.90	16.00	11.00	6.00	1.80	0	0	0	
\$230	\$240	39.00	33.20	27.60	22.60	17.70	12.70	7.70	3.20	0	0	0	
\$240	\$250	41.00	35.20	29.40	24.30	19.40	14.40	9.40	4.70	.50	0	0	
\$250	\$260	43.00	37.20	31.40	26.00	21.10	16.10	11.10	6.20	1.90	0	0	

"If the payroll period with respect to an employee is semimonthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$260.....	\$270.....	\$45.00	\$39.20	\$33.40	\$27.70	\$22.80	\$17.80	\$12.80	\$7.90	\$3.30	\$0	\$0
\$270.....	\$280.....	47.00	41.20	35.40	29.50	24.50	19.50	14.50	9.60	4.80	.60	0
\$280.....	\$290.....	49.00	43.20	37.40	31.60	26.20	21.20	16.20	11.30	6.30	2.00	0
\$290.....	\$300.....	51.00	45.20	39.40	33.50	27.90	22.90	17.90	13.00	8.00	3.40	0
\$300.....	\$320.....	54.00	48.20	42.40	36.50	30.70	25.50	20.50	15.50	10.60	5.70	1.40
\$320.....	\$340.....	58.00	52.20	46.40	40.50	34.70	28.90	23.90	18.90	14.00	9.00	4.30
\$340.....	\$360.....	62.00	56.20	50.40	44.50	38.70	32.90	27.30	22.30	17.40	12.40	7.50
\$360.....	\$380.....	66.20	60.20	54.40	48.50	42.70	36.90	31.00	25.70	20.80	15.80	10.90
\$380.....	\$400.....	71.20	64.20	58.40	52.50	46.70	40.90	35.00	29.20	24.20	19.20	14.30
\$400.....	\$420.....	76.20	68.90	62.40	56.50	50.70	44.90	39.00	33.20	27.60	22.60	17.70
\$420.....	\$440.....	81.20	73.90	66.60	60.60	54.70	48.90	43.00	37.20	31.40	26.00	21.10
\$440.....	\$460.....	86.20	78.90	71.60	64.50	58.70	52.90	47.00	41.20	35.40	29.50	24.50
\$460.....	\$480.....	91.80	83.90	76.60	69.30	62.70	56.90	51.00	45.20	39.40	33.50	27.90
\$480.....	\$500.....	97.80	89.00	81.60	74.30	67.00	60.90	55.00	49.20	43.40	37.50	31.70
\$500.....	\$520.....	103.80	95.00	86.60	79.30	72.00	64.90	59.00	53.20	47.40	41.50	35.70
\$520.....	\$540.....	109.80	101.00	92.30	84.30	77.00	69.80	63.00	57.20	51.40	45.50	39.70
\$540.....	\$560.....	115.80	107.00	98.30	89.50	82.00	74.80	67.50	61.20	55.40	49.50	43.70
\$560.....	\$580.....	121.80	113.00	104.30	95.50	87.00	79.80	72.50	65.20	59.40	53.50	47.70
\$580.....	\$600.....	127.80	119.00	110.30	101.50	92.80	84.80	77.50	70.20	63.40	57.50	51.70
\$600.....	\$620.....	133.80	125.00	116.30	107.50	98.80	90.00	82.50	75.20	67.90	61.50	55.70
\$620.....	\$640.....	139.80	131.00	122.30	113.50	104.80	96.00	87.50	80.20	72.90	65.60	59.70
\$640.....	\$660.....	145.80	137.00	128.30	119.50	110.80	102.00	93.30	85.20	77.90	70.60	63.70
\$660.....	\$680.....	151.80	143.00	134.30	125.50	116.80	108.00	99.30	90.50	82.90	75.60	68.30
\$680.....	\$700.....	157.80	149.00	140.30	131.50	122.80	114.00	105.30	96.50	87.90	80.60	73.30
\$700.....	\$720.....	163.80	155.00	146.30	137.50	128.80	120.00	111.30	102.50	93.80	85.60	78.30
\$720.....	\$740.....	169.80	161.00	152.30	143.50	134.80	126.00	117.30	108.50	99.80	91.00	83.30
\$740.....	\$760.....	175.80	167.00	158.30	149.50	140.80	132.00	123.30	114.50	105.80	97.00	88.30
30 percent of the excess over \$760 plus—												
\$760 and over.....		178.80	170.00	161.30	152.50	143.80	135.00	126.30	117.50	108.80	100.00	91.30

"If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$8.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8.....	\$10.....	.10	0	0	0	0	0	0	0	0	0	0
\$10.....	\$12.....	.40	0	0	0	0	0	0	0	0	0	0
\$12.....	\$14.....	.70	0	0	0	0	0	0	0	0	0	0
\$14.....	\$16.....	.90	0	0	0	0	0	0	0	0	0	0
\$16.....	\$18.....	1.20	0	0	0	0	0	0	0	0	0	0
\$18.....	\$20.....	1.50	0	0	0	0	0	0	0	0	0	0
\$20.....	\$22.....	1.80	0	0	0	0	0	0	0	0	0	0
\$22.....	\$24.....	2.10	0	0	0	0	0	0	0	0	0	0
\$24.....	\$26.....	2.30	0	0	0	0	0	0	0	0	0	0
\$26.....	\$28.....	2.60	0	0	0	0	0	0	0	0	0	0
\$28.....	\$30.....	2.90	0	0	0	0	0	0	0	0	0	0
\$30.....	\$32.....	3.20	0	0	0	0	0	0	0	0	0	0
\$32.....	\$34.....	3.50	0	0	0	0	0	0	0	0	0	0
\$34.....	\$36.....	3.70	0	0	0	0	0	0	0	0	0	0
\$36.....	\$38.....	4.00	0	0	0	0	0	0	0	0	0	0
\$38.....	\$40.....	4.30	.20	0	0	0	0	0	0	0	0	0
\$40.....	\$42.....	4.60	.50	0	0	0	0	0	0	0	0	0
\$42.....	\$44.....	4.90	.80	0	0	0	0	0	0	0	0	0
\$44.....	\$46.....	5.10	1.10	0	0	0	0	0	0	0	0	0
\$46.....	\$48.....	5.40	1.30	0	0	0	0	0	0	0	0	0
\$48.....	\$50.....	5.70	1.60	0	0	0	0	0	0	0	0	0
\$50.....	\$52.....	6.00	1.90	0	0	0	0	0	0	0	0	0
\$52.....	\$54.....	6.30	2.20	0	0	0	0	0	0	0	0	0
\$54.....	\$56.....	6.60	2.50	0	0	0	0	0	0	0	0	0
\$56.....	\$58.....	6.90	2.70	0	0	0	0	0	0	0	0	0
\$58.....	\$60.....	7.20	3.00	0	0	0	0	0	0	0	0	0
\$60.....	\$62.....	7.50	3.30	0	0	0	0	0	0	0	0	0
\$62.....	\$64.....	7.80	3.60	0	0	0	0	0	0	0	0	0
\$64.....	\$66.....	8.10	3.90	0	0	0	0	0	0	0	0	0
\$66.....	\$68.....	8.40	4.10	0	0	0	0	0	0	0	0	0
\$68.....	\$70.....	8.70	4.40	.30	0	0	0	0	0	0	0	0
\$70.....	\$72.....	9.00	4.70	.60	0	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$72	\$74	\$9.30	\$5.00	\$0.90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$74	\$76	9.60	5.30	1.20	0	0	0	0	0	0	0	0	0
\$76	\$78	9.90	5.50	1.40	0	0	0	0	0	0	0	0	0
\$78	\$80	10.20	5.80	1.70	0	0	0	0	0	0	0	0	0
\$80	\$82	10.50	6.10	2.00	0	0	0	0	0	0	0	0	0
\$82	\$84	10.80	6.40	2.30	0	0	0	0	0	0	0	0	0
\$84	\$86	11.10	6.70	2.60	0	0	0	0	0	0	0	0	0
\$86	\$88	11.40	7.00	2.80	0	0	0	0	0	0	0	0	0
\$88	\$90	11.70	7.30	3.10	0	0	0	0	0	0	0	0	0
\$90	\$92	12.00	7.60	3.40	0	0	0	0	0	0	0	0	0
\$92	\$94	12.30	7.90	3.70	0	0	0	0	0	0	0	0	0
\$94	\$96	12.60	8.20	4.00	0	0	0	0	0	0	0	0	0
\$96	\$98	12.90	8.50	4.20	.20	0	0	0	0	0	0	0	0
\$98	\$100	13.20	8.80	4.50	.40	0	0	0	0	0	0	0	0
\$100	\$102	13.50	9.10	4.80	.70	0	0	0	0	0	0	0	0
\$102	\$104	13.80	9.40	5.10	1.00	0	0	0	0	0	0	0	0
\$104	\$106	14.10	9.70	5.40	1.30	0	0	0	0	0	0	0	0
\$106	\$108	14.40	10.00	5.60	1.60	0	0	0	0	0	0	0	0
\$108	\$110	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0	0
\$110	\$112	15.00	10.60	6.20	2.10	0	0	0	0	0	0	0	0
\$112	\$114	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0	0
\$114	\$116	15.60	11.20	6.80	2.70	0	0	0	0	0	0	0	0
\$116	\$118	15.90	11.50	7.10	3.00	0	0	0	0	0	0	0	0
\$118	\$120	16.20	11.80	7.40	3.20	0	0	0	0	0	0	0	0
\$120	\$124	16.60	12.30	7.90	3.70	0	0	0	0	0	0	0	0
\$124	\$128	17.20	12.90	8.50	4.20	.10	0	0	0	0	0	0	0
\$128	\$132	17.80	13.50	9.10	4.80	.70	0	0	0	0	0	0	0
\$132	\$136	18.40	14.10	9.70	5.30	1.30	0	0	0	0	0	0	0
\$136	\$140	19.00	14.70	10.30	5.90	1.80	0	0	0	0	0	0	0
\$140	\$144	19.60	15.30	10.90	6.50	2.40	0	0	0	0	0	0	0
\$144	\$148	20.20	15.90	11.50	7.10	2.90	0	0	0	0	0	0	0
\$148	\$152	20.80	16.50	12.10	7.70	3.50	0	0	0	0	0	0	0
\$152	\$156	21.40	17.10	12.70	8.30	4.10	0	0	0	0	0	0	0
\$156	\$160	22.00	17.70	13.30	8.90	4.60	.50	0	0	0	0	0	0
\$160	\$164	22.60	18.30	13.90	9.50	5.20	1.10	0	0	0	0	0	0
\$164	\$168	23.20	18.90	14.50	10.10	5.70	1.70	0	0	0	0	0	0
\$168	\$172	23.80	19.50	15.10	10.70	6.30	2.20	0	0	0	0	0	0
\$172	\$176	24.40	20.10	15.70	11.30	6.90	2.80	0	0	0	0	0	0
\$176	\$180	25.00	20.70	16.30	11.90	7.50	3.30	0	0	0	0	0	0
\$180	\$184	25.60	21.30	16.90	12.50	8.10	3.90	0	0	0	0	0	0
\$184	\$188	26.30	21.90	17.50	13.10	8.70	4.50	.40	0	0	0	0	0
\$188	\$192	27.00	22.50	18.10	13.70	9.30	5.00	.90	0	0	0	0	0
\$192	\$196	27.60	23.10	18.70	14.30	9.90	5.60	1.50	0	0	0	0	0
\$196	\$200	28.30	23.70	19.30	14.90	10.50	6.20	2.10	0	0	0	0	0
\$200	\$210	29.50	24.70	20.30	16.00	11.60	7.20	3.00	0	0	0	0	0
\$210	\$220	31.20	26.30	21.80	17.50	13.10	8.70	4.40	.40	0	0	0	0
\$220	\$230	32.90	28.00	23.30	19.00	14.60	10.20	5.80	1.80	0	0	0	0
\$230	\$240	34.60	29.70	24.80	20.50	16.10	11.70	7.30	3.20	0	0	0	0
\$240	\$250	36.30	31.40	26.40	22.00	17.60	13.20	8.80	4.60	.50	0	0	0
\$250	\$260	38.00	33.10	28.10	23.50	19.10	14.70	10.30	6.00	1.90	0	0	0
\$260	\$270	39.70	34.80	29.80	25.00	20.60	16.20	11.80	7.50	3.30	0	0	0
\$270	\$280	41.40	36.50	31.50	26.50	22.10	17.70	13.30	9.00	4.70	.60	0	0
\$280	\$290	43.10	38.20	33.20	28.20	23.60	19.20	14.80	10.50	6.10	2.00	0	0
\$290	\$300	44.80	39.90	34.90	29.90	25.10	20.70	16.30	12.00	7.60	3.40	0	0
\$300	\$320	47.40	42.40	37.50	32.50	27.50	23.00	18.60	14.20	9.80	5.50	1.00	0
\$320	\$340	50.80	45.80	40.90	35.90	30.90	26.00	21.60	17.20	12.80	8.50	4.20	0
\$340	\$360	54.20	49.20	44.30	39.30	34.30	29.40	24.60	20.20	15.80	11.50	7.10	0
\$360	\$380	57.70	52.60	47.70	42.70	37.70	32.80	27.80	23.20	18.80	14.50	10.10	0
\$380	\$400	61.70	56.00	51.10	46.10	41.10	36.20	31.20	26.30	21.80	17.50	13.10	0
\$400	\$420	65.70	59.80	54.50	49.50	44.50	39.60	34.60	29.70	24.80	20.50	16.10	0
\$420	\$440	69.70	63.80	58.00	52.90	47.90	43.00	38.00	33.10	28.10	23.50	19.10	0
\$440	\$460	73.70	67.80	62.00	56.30	51.30	46.40	41.40	36.50	31.50	26.50	22.10	0
\$460	\$480	77.70	71.80	66.00	60.20	54.70	49.80	44.80	39.90	34.90	29.90	25.10	0
\$480	\$500	81.70	75.80	70.00	64.20	58.30	53.20	48.20	43.30	38.30	33.30	28.40	0
\$500	\$520	85.70	79.80	74.00	68.20	62.30	56.60	51.60	46.70	41.70	36.70	31.80	0
\$520	\$540	89.70	83.80	78.00	72.20	66.30	60.50	55.00	50.10	45.10	40.10	35.20	0
\$540	\$560	93.70	87.80	82.00	76.20	70.30	64.50	58.70	53.50	48.50	43.50	38.60	0
\$560	\$580	97.70	91.80	86.00	80.20	74.30	68.50	62.70	56.90	51.90	46.90	42.00	0
\$580	\$600	101.70	95.80	90.00	84.20	78.30	72.50	66.70	60.80	55.30	50.30	45.40	0
\$600	\$620	105.70	99.80	94.00	88.20	82.30	76.50	70.70	64.80	59.00	53.70	48.80	0
\$620	\$640	109.70	103.80	98.00	92.20	86.30	80.50	74.70	68.80	63.00	57.20	52.20	0
\$640	\$660	113.70	107.80	102.00	96.20	90.30	84.50	78.70	72.80	67.00	61.20	55.60	0
\$660	\$680	117.70	111.80	106.00	100.20	94.30	88.50	82.70	76.80	71.00	65.20	59.30	0
\$680	\$700	121.70	115.80	110.00	104.20	98.30	92.50	86.70	80.80	75.00	69.20	63.30	0
\$700	\$720	125.70	119.80	114.00	108.20	102.30	96.50	90.70	84.80	79.00	73.20	67.30	0
\$720	\$740	129.70	123.80	118.00	112.20	106.30	100.50	94.70	88.80	83.00	77.20	71.30	0
\$740	\$760	134.30	127.80	122.00	116.20	110.30	104.50	98.70	92.80	87.00	81.20	75.30	0
\$760	\$780	139.30	132.00	126.00	120.20	114.30	108.50	102.70	96.80	91.00	85.20	79.30	0
\$780	\$800	144.30	137.00	130.00	124.20	118.30	112.50	106.70	100.80	95.00	89.20	83.30	0
\$800	\$820	149.30	142.00	134.70	128.20	122.30	116.50	110.70	104.80	99.00	93.20	87.30	0
\$820	\$840	154.30	147.00	139.70	132.40	126.30	120.50	114.70	108.80	103.00	97.20	91.30	0
\$840	\$860	159.30	152.00	144.70	137.40	130.30	124.50	118.70	112.80	107.00	101.20	95.30	0

“If the payroll period with respect to an employee is semimonthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$860.....	\$880.....	\$164.30	\$157.00	\$149.70	\$142.40	\$135.10	\$128.50	\$122.70	\$116.80	\$111.00	\$105.20	\$99.30
\$880.....	\$900.....	169.30	162.00	154.70	147.40	140.10	132.80	126.70	120.80	115.00	109.20	103.30
\$900.....	\$920.....	174.30	167.00	159.70	152.40	145.10	137.80	130.70	124.80	119.00	113.20	107.30
\$920.....	\$940.....	180.00	172.00	164.70	157.40	150.10	142.80	135.50	128.80	123.00	117.20	111.30
\$940.....	\$960.....	186.00	177.20	169.70	162.40	155.10	147.80	140.50	133.30	127.00	121.20	115.30
\$960.....	\$980.....	192.00	183.20	174.70	167.40	160.10	152.80	145.50	138.30	131.00	125.20	119.30
\$980.....	\$1,000.....	198.00	189.20	180.50	172.40	165.10	157.80	150.50	143.30	136.00	129.20	123.30
\$1,000.....	\$1,020.....	204.00	195.20	186.50	177.70	170.10	162.80	155.50	148.30	141.00	133.70	127.30
\$1,020.....	\$1,040.....	210.00	201.20	192.50	183.70	175.10	167.80	160.50	153.30	146.00	138.70	131.40
\$1,040.....	\$1,060.....	216.00	207.20	198.50	189.70	181.00	172.80	165.50	158.30	151.00	143.70	136.40
\$1,060.....	\$1,080.....	222.00	213.20	204.50	195.70	187.00	178.20	170.50	163.30	156.00	148.70	141.40
\$1,080.....	\$1,100.....	228.00	219.20	210.50	201.70	193.00	184.20	175.50	168.30	161.00	153.70	146.40
\$1,100.....	\$1,120.....	234.00	225.20	216.50	207.70	199.00	190.20	181.50	173.30	166.00	158.70	151.40
\$1,120.....	\$1,140.....	240.00	231.20	222.50	213.70	205.00	196.20	187.50	178.70	171.00	163.70	156.40
\$1,140.....	\$1,160.....	246.00	237.20	228.50	219.70	211.00	202.20	193.50	184.70	176.00	168.70	161.40
\$1,160.....	\$1,180.....	252.00	243.20	234.50	225.70	217.00	208.20	199.50	190.70	182.00	173.70	166.40
\$1,180.....	\$1,200.....	258.00	249.20	240.50	231.70	223.00	214.20	205.50	196.70	188.00	179.20	171.40
\$1,200.....	\$1,220.....	264.00	255.20	246.50	237.70	229.00	220.20	211.50	202.70	194.00	185.20	176.50
30 percent of the excess over \$1,220 plus—												
\$1,220 and over.....		267.00	258.20	249.50	240.70	232.00	223.20	214.50	205.70	197.00	188.20	179.50

“If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of income tax to be withheld shall be—												
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.40	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	7.00	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.60	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.20	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.80	.40	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.40	1.00	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	10.00	1.50	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.60	2.10	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	11.20	2.70	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.80	3.20	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.40	3.80	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	13.10	4.30	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.80	4.90	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	14.50	5.50	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	15.10	6.00	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.80	6.60	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	16.50	7.20	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	17.20	7.80	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	17.90	8.40	.10	0	0	0	0	0	0	0	0
\$136.....	\$140.....	18.50	9.00	.70	0	0	0	0	0	0	0	0
\$140.....	\$144.....	19.20	9.60	1.20	0	0	0	0	0	0	0	0
\$144.....	\$148.....	19.90	10.20	1.80	0	0	0	0	0	0	0	0
\$148.....	\$152.....	20.60	10.80	2.30	0	0	0	0	0	0	0	0
\$152.....	\$156.....	21.30	11.40	2.90	0	0	0	0	0	0	0	0
\$156.....	\$160.....	21.90	12.00	3.50	0	0	0	0	0	0	0	0
\$160.....	\$164.....	22.60	12.70	4.00	0	0	0	0	0	0	0	0
\$164.....	\$168.....	23.30	13.40	4.60	0	0	0	0	0	0	0	0
\$168.....	\$172.....	24.00	14.10	5.10	0	0	0	0	0	0	0	0
\$172.....	\$176.....	24.70	14.70	5.70	0	0	0	0	0	0	0	0
\$176.....	\$180.....	25.30	15.40	6.30	0	0	0	0	0	0	0	0
\$180.....	\$184.....	26.00	16.10	6.90	0	0	0	0	0	0	0	0

"If the payroll period with respect to an employee is monthly and he is not married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$184	\$188	\$26.70	\$16.80	\$7.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$188	\$192	27.40	17.50	8.10	0	0	0	0	0	0	0	0	0
\$192	\$196	28.10	18.10	8.70	.30	0	0	0	0	0	0	0	0
\$196	\$200	28.70	18.80	9.30	.90	0	0	0	0	0	0	0	0
\$200	\$204	29.40	19.60	9.90	1.40	0	0	0	0	0	0	0	0
\$204	\$208	30.10	20.20	10.60	2.00	0	0	0	0	0	0	0	0
\$208	\$212	30.80	20.90	11.10	2.60	0	0	0	0	0	0	0	0
\$212	\$216	31.50	21.50	11.70	3.10	0	0	0	0	0	0	0	0
\$216	\$220	32.10	22.20	12.30	3.70	0	0	0	0	0	0	0	0
\$220	\$224	32.80	22.90	13.00	4.20	0	0	0	0	0	0	0	0
\$224	\$228	33.50	23.60	13.70	4.80	0	0	0	0	0	0	0	0
\$228	\$232	34.20	24.30	14.40	5.40	0	0	0	0	0	0	0	0
\$232	\$236	34.90	24.90	15.00	5.90	0	0	0	0	0	0	0	0
\$236	\$240	35.50	25.60	15.70	6.50	0	0	0	0	0	0	0	0
\$240	\$248	36.60	26.60	16.70	7.40	0	0	0	0	0	0	0	0
\$248	\$256	37.90	28.00	18.10	8.60	.30	0	0	0	0	0	0	0
\$256	\$264	39.30	29.40	19.50	9.89	1.40	0	0	0	0	0	0	0
\$264	\$272	40.60	30.70	20.80	11.00	2.50	0	0	0	0	0	0	0
\$272	\$280	42.00	32.10	22.20	12.30	3.60	0	0	0	0	0	0	0
\$280	\$288	43.40	33.40	23.50	13.60	4.80	0	0	0	0	0	0	0
\$288	\$296	44.70	34.80	24.90	15.00	5.90	0	0	0	0	0	0	0
\$296	\$304	46.10	36.20	26.30	16.30	7.10	0	0	0	0	0	0	0
\$304	\$312	47.40	37.50	27.60	17.70	8.30	0	0	0	0	0	0	0
\$312	\$320	48.80	38.90	29.00	19.10	9.50	1.10	0	0	0	0	0	0
\$320	\$328	50.20	40.20	30.30	20.40	10.70	2.20	0	0	0	0	0	0
\$328	\$336	51.60	41.60	31.70	21.80	11.90	3.30	0	0	0	0	0	0
\$336	\$344	52.90	43.00	33.10	23.10	13.20	4.40	0	0	0	0	0	0
\$344	\$352	54.20	44.30	34.40	24.50	14.60	5.60	0	0	0	0	0	0
\$352	\$360	55.60	45.70	35.80	25.90	15.90	6.70	0	0	0	0	0	0
\$360	\$368	57.00	47.00	37.10	27.20	17.30	7.90	0	0	0	0	0	0
\$368	\$376	58.50	48.40	38.50	28.60	18.70	9.10	.70	0	0	0	0	0
\$376	\$384	60.10	49.80	39.90	29.90	20.00	10.30	1.90	0	0	0	0	0
\$384	\$392	61.70	51.10	41.20	31.30	21.40	11.60	3.00	0	0	0	0	0
\$392	\$400	63.30	52.50	42.60	32.70	22.70	12.80	4.10	0	0	0	0	0
\$400	\$420	66.10	54.90	45.00	35.00	25.10	15.20	6.10	0	0	0	0	0
\$420	\$440	70.10	58.40	48.40	38.40	28.50	18.60	9.10	.70	0	0	0	0
\$440	\$460	74.10	62.40	51.80	41.80	31.90	22.00	12.10	3.50	0	0	0	0
\$460	\$480	78.10	66.40	55.20	45.20	35.30	25.40	15.60	6.30	0	0	0	0
\$480	\$500	82.10	70.40	58.80	48.60	38.70	28.80	18.90	9.30	.90	0	0	0
\$500	\$520	86.10	74.40	62.80	52.00	42.10	32.20	22.30	12.40	3.70	0	0	0
\$520	\$540	90.10	78.40	66.80	55.40	45.50	35.60	25.70	15.80	6.60	0	0	0
\$540	\$560	94.10	82.40	70.80	59.10	48.90	39.00	29.10	19.20	9.60	1.20	0	0
\$560	\$580	98.10	86.40	74.80	63.10	52.30	42.40	32.50	22.60	12.70	4.00	0	0
\$580	\$600	102.10	90.40	78.80	67.10	55.70	45.80	35.90	26.00	16.10	6.80	0	0
\$600	\$640	108.10	96.40	84.80	73.10	61.40	50.90	41.00	31.10	21.20	11.30	2.80	8.60
\$640	\$680	116.10	104.40	92.80	81.10	69.40	57.80	47.80	37.90	28.00	18.00	8.60	14.90
\$680	\$720	124.10	112.40	100.80	89.10	77.40	65.80	54.60	44.70	34.80	24.80	14.90	21.70
\$720	\$760	132.40	120.40	108.80	97.10	85.40	73.80	62.10	51.50	41.60	31.60	21.70	28.50
\$760	\$800	142.40	128.40	116.80	105.10	93.40	81.80	70.10	58.40	48.40	38.40	28.50	35.30
\$800	\$840	152.40	137.80	124.80	113.10	101.40	89.80	78.10	66.40	55.20	45.20	35.30	42.10
\$840	\$880	162.40	147.80	133.30	121.10	109.40	97.80	86.10	74.40	62.80	52.00	42.10	48.90
\$880	\$920	172.40	157.80	143.30	129.10	117.40	105.80	94.10	82.40	70.80	59.10	48.90	55.70
\$920	\$960	183.60	167.80	153.30	138.70	125.40	113.80	102.10	90.40	78.80	67.10	55.70	63.40
\$960	\$1,000	195.60	178.10	163.30	148.70	134.10	121.80	110.10	98.40	86.80	75.10	63.40	71.40
\$1,000	\$1,040	207.60	190.10	173.30	158.70	144.10	129.80	118.10	106.40	94.80	83.10	71.40	79.40
\$1,040	\$1,080	219.60	202.10	184.60	168.70	154.10	139.50	126.10	114.40	102.80	91.10	79.40	87.40
\$1,080	\$1,120	231.60	214.10	196.60	179.10	164.10	149.50	134.90	122.40	110.80	99.10	87.40	95.40
\$1,120	\$1,160	243.60	226.10	208.60	191.10	174.10	159.50	144.90	130.40	118.80	107.10	95.40	103.40
\$1,160	\$1,200	255.60	238.10	220.60	203.10	185.60	169.50	154.90	140.30	126.80	115.10	103.40	111.40
\$1,200	\$1,240	267.60	250.10	232.60	215.10	197.60	180.10	164.90	150.30	135.80	123.10	111.40	119.40
\$1,240	\$1,280	279.60	262.10	244.60	227.10	209.60	192.10	174.90	160.30	145.80	131.20	119.40	127.40
\$1,280	\$1,320	291.60	274.10	256.60	239.10	221.60	204.10	186.60	170.30	155.80	141.20	127.40	135.60
\$1,320	\$1,360	303.60	286.10	268.60	251.10	233.60	216.10	198.60	181.10	165.80	151.20	135.60	143.60
\$1,360	\$1,400	315.60	298.10	280.60	263.10	245.60	228.10	210.60	193.10	175.80	161.20	143.60	151.60
\$1,400	\$1,440	327.60	310.10	292.60	275.10	257.60	240.10	222.60	205.10	187.60	171.20	151.60	159.60
\$1,440	\$1,480	339.60	322.10	304.60	287.10	269.60	252.10	234.60	217.10	199.60	182.10	159.60	167.60
\$1,480	\$1,520	351.60	334.10	316.60	299.10	281.60	264.10	246.60	229.10	211.60	194.10	167.60	175.60
30 percent of the excess over \$1,520 plus—													
\$1,520 and over		357.60	340.10	322.60	305.10	287.60	270.10	252.60	235.10	217.60	200.10	182.60	165.10

"If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$0.....	\$16.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16.....	\$20.....	.20	0	0	0	0	0	0	0	0	0	0	0
\$20.....	\$24.....	.70	0	0	0	0	0	0	0	0	0	0	0
\$24.....	\$28.....	1.30	0	0	0	0	0	0	0	0	0	0	0
\$28.....	\$32.....	1.90	0	0	0	0	0	0	0	0	0	0	0
\$32.....	\$36.....	2.40	0	0	0	0	0	0	0	0	0	0	0
\$36.....	\$40.....	3.00	0	0	0	0	0	0	0	0	0	0	0
\$40.....	\$44.....	3.50	0	0	0	0	0	0	0	0	0	0	0
\$44.....	\$48.....	4.10	0	0	0	0	0	0	0	0	0	0	0
\$48.....	\$52.....	4.70	0	0	0	0	0	0	0	0	0	0	0
\$52.....	\$56.....	5.20	0	0	0	0	0	0	0	0	0	0	0
\$56.....	\$60.....	5.80	0	0	0	0	0	0	0	0	0	0	0
\$60.....	\$64.....	6.30	0	0	0	0	0	0	0	0	0	0	0
\$64.....	\$68.....	6.90	0	0	0	0	0	0	0	0	0	0	0
\$68.....	\$72.....	7.50	0	0	0	0	0	0	0	0	0	0	0
\$72.....	\$76.....	8.00	0	0	0	0	0	0	0	0	0	0	0
\$76.....	\$80.....	8.60	.40	0	0	0	0	0	0	0	0	0	0
\$80.....	\$84.....	9.10	1.00	0	0	0	0	0	0	0	0	0	0
\$84.....	\$88.....	9.70	1.50	0	0	0	0	0	0	0	0	0	0
\$88.....	\$92.....	10.30	2.10	0	0	0	0	0	0	0	0	0	0
\$92.....	\$96.....	10.80	2.70	0	0	0	0	0	0	0	0	0	0
\$96.....	\$100.....	11.40	3.20	0	0	0	0	0	0	0	0	0	0
\$100.....	\$104.....	12.00	3.80	0	0	0	0	0	0	0	0	0	0
\$104.....	\$108.....	12.60	4.30	0	0	0	0	0	0	0	0	0	0
\$108.....	\$112.....	13.20	4.90	0	0	0	0	0	0	0	0	0	0
\$112.....	\$116.....	13.80	5.50	0	0	0	0	0	0	0	0	0	0
\$116.....	\$120.....	14.40	6.00	0	0	0	0	0	0	0	0	0	0
\$120.....	\$124.....	15.00	6.60	0	0	0	0	0	0	0	0	0	0
\$124.....	\$128.....	15.60	7.10	0	0	0	0	0	0	0	0	0	0
\$128.....	\$132.....	16.20	7.70	0	0	0	0	0	0	0	0	0	0
\$132.....	\$136.....	16.80	8.30	.10	0	0	0	0	0	0	0	0	0
\$136.....	\$140.....	17.40	8.90	.70	0	0	0	0	0	0	0	0	0
\$140.....	\$144.....	18.00	9.40	1.20	0	0	0	0	0	0	0	0	0
\$144.....	\$148.....	18.60	9.90	1.80	0	0	0	0	0	0	0	0	0
\$148.....	\$152.....	19.20	10.50	2.30	0	0	0	0	0	0	0	0	0
\$152.....	\$156.....	19.80	11.10	2.90	0	0	0	0	0	0	0	0	0
\$156.....	\$160.....	20.40	11.60	3.50	0	0	0	0	0	0	0	0	0
\$160.....	\$164.....	21.00	12.20	4.00	0	0	0	0	0	0	0	0	0
\$164.....	\$168.....	21.60	12.80	4.60	0	0	0	0	0	0	0	0	0
\$168.....	\$172.....	22.20	13.40	5.10	0	0	0	0	0	0	0	0	0
\$172.....	\$176.....	22.80	14.00	5.70	0	0	0	0	0	0	0	0	0
\$176.....	\$180.....	23.40	14.60	6.30	0	0	0	0	0	0	0	0	0
\$180.....	\$184.....	24.00	15.20	6.80	0	0	0	0	0	0	0	0	0
\$184.....	\$188.....	24.60	15.80	7.40	0	0	0	0	0	0	0	0	0
\$188.....	\$192.....	25.20	16.40	7.90	0	0	0	0	0	0	0	0	0
\$192.....	\$196.....	25.80	17.00	8.50	.30	0	0	0	0	0	0	0	0
\$196.....	\$200.....	26.40	17.60	9.10	.90	0	0	0	0	0	0	0	0
\$200.....	\$204.....	27.00	18.20	9.60	1.40	0	0	0	0	0	0	0	0
\$204.....	\$208.....	27.60	18.80	10.20	2.00	0	0	0	0	0	0	0	0
\$208.....	\$212.....	28.20	19.40	10.70	2.60	0	0	0	0	0	0	0	0
\$212.....	\$216.....	28.80	20.00	11.30	3.10	0	0	0	0	0	0	0	0
\$216.....	\$220.....	29.40	20.60	11.90	3.70	0	0	0	0	0	0	0	0
\$220.....	\$224.....	30.00	21.20	12.50	4.20	0	0	0	0	0	0	0	0
\$224.....	\$228.....	30.60	21.80	13.10	4.80	0	0	0	0	0	0	0	0
\$228.....	\$232.....	31.20	22.40	13.70	5.40	0	0	0	0	0	0	0	0
\$232.....	\$236.....	31.80	23.00	14.30	5.90	0	0	0	0	0	0	0	0
\$236.....	\$240.....	32.40	23.60	14.90	6.50	0	0	0	0	0	0	0	0
\$240.....	\$248.....	33.00	24.50	15.80	7.30	0	0	0	0	0	0	0	0
\$248.....	\$256.....	34.50	25.70	17.00	8.40	.30	0	0	0	0	0	0	0
\$256.....	\$264.....	35.70	26.90	18.20	9.60	1.40	0	0	0	0	0	0	0
\$264.....	\$272.....	36.90	28.10	19.40	10.70	2.50	0	0	0	0	0	0	0
\$272.....	\$280.....	38.10	29.30	20.60	11.80	3.60	0	0	0	0	0	0	0
\$280.....	\$288.....	39.30	30.50	21.80	13.00	4.80	0	0	0	0	0	0	0
\$288.....	\$296.....	40.50	31.70	23.00	14.20	5.90	0	0	0	0	0	0	0
\$296.....	\$304.....	41.70	32.90	24.20	15.40	7.00	0	0	0	0	0	0	0
\$304.....	\$312.....	42.90	34.10	25.40	16.60	8.10	0	0	0	0	0	0	0
\$312.....	\$320.....	44.10	35.30	26.60	17.80	9.20	1.10	0	0	0	0	0	0
\$320.....	\$328.....	45.30	36.50	27.80	19.00	10.40	2.20	0	0	0	0	0	0
\$328.....	\$336.....	46.50	37.70	29.00	20.20	11.50	3.30	0	0	0	0	0	0
\$336.....	\$344.....	47.70	38.90	30.20	21.40	12.70	4.40	0	0	0	0	0	0
\$344.....	\$352.....	48.90	40.10	31.40	22.60	13.90	5.60	0	0	0	0	0	0
\$352.....	\$360.....	50.10	41.30	32.60	23.80	15.10	6.70	0	0	0	0	0	0
\$360.....	\$368.....	51.30	42.50	33.80	25.00	16.30	7.80	0	0	0	0	0	0
\$368.....	\$376.....	52.60	43.70	35.00	26.20	17.50	8.90	.70	0	0	0	0	0

"If the payroll period with respect to an employee is monthly and he is married—

And the wages are—		And the number of withholding exemptions claimed is—											
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more	
The amount of income tax to be withheld shall be—													
\$376	\$384	\$53.90	\$44.90	\$36.20	\$27.40	\$18.70	\$10.00	\$1.90	\$0	\$0	\$0	\$0	
\$384	\$392	55.30	46.10	37.40	28.60	19.90	11.20	3.00	0	0	0	0	
\$392	\$400	56.70	47.30	38.60	29.80	21.10	12.30	4.10	0	0	0	0	
\$400	\$420	59.00	49.40	40.70	31.90	23.20	14.40	6.10	0	0	0	0	
\$420	\$440	62.40	52.50	43.70	34.90	26.20	17.40	8.90	.70	0	0	0	
\$440	\$460	65.80	55.90	46.70	37.90	29.20	20.40	11.70	3.50	0	0	0	
\$460	\$480	69.20	59.30	49.70	40.90	32.20	23.40	14.70	6.30	0	0	0	
\$480	\$500	72.60	62.70	52.80	43.90	35.20	26.40	17.70	9.10	.90	0	0	
\$500	\$520	76.00	66.10	56.20	46.90	38.20	29.40	20.70	11.90	3.70	0	0	
\$520	\$540	79.40	69.50	59.60	49.90	41.20	32.40	23.70	14.90	6.50	0	0	
\$540	\$560	82.80	72.90	63.00	53.10	44.20	35.40	26.70	17.90	9.30	1.20	0	
\$560	\$580	86.20	76.30	66.40	56.50	47.20	38.40	29.70	20.90	12.20	4.00	0	
\$580	\$600	89.60	79.70	69.80	59.90	50.20	41.40	32.70	23.90	15.20	6.80	0	
\$600	\$640	94.70	84.80	74.90	65.00	55.10	45.90	37.20	28.40	19.70	11.00	2.80	
\$640	\$680	101.50	91.60	81.70	71.80	61.90	52.00	43.20	34.40	25.70	16.90	8.40	
\$680	\$720	108.30	98.40	88.50	78.60	68.70	58.80	49.20	40.40	31.70	22.90	14.20	
\$720	\$760	115.30	105.20	95.30	85.40	75.50	65.60	55.60	46.40	37.70	28.90	20.20	
\$760	\$800	123.30	112.00	102.10	92.20	82.30	72.40	62.40	52.50	43.70	34.90	26.20	
\$800	\$840	131.30	119.70	108.90	99.00	89.10	79.20	69.20	59.30	49.70	40.90	32.20	
\$840	\$880	139.30	127.70	116.00	105.80	95.90	86.00	76.00	66.10	56.20	46.90	38.20	
\$880	\$920	147.30	135.70	124.00	112.60	102.70	92.80	82.80	72.90	63.00	53.10	44.20	
\$920	\$960	155.30	143.70	132.00	120.30	109.50	99.60	89.60	79.70	69.80	59.90	50.20	
\$960	\$1,000	163.30	151.70	140.00	128.30	116.70	106.40	96.40	86.50	76.60	66.70	56.80	
\$1,000	\$1,040	171.30	159.70	148.00	136.30	124.70	113.20	103.20	93.30	83.40	73.50	63.60	
\$1,040	\$1,080	179.30	167.70	156.00	144.30	132.70	121.00	110.00	100.10	90.20	80.30	70.40	
\$1,080	\$1,120	187.30	175.70	164.00	152.30	140.70	129.00	117.30	106.90	97.00	87.10	77.20	
\$1,120	\$1,160	195.30	183.70	172.00	160.30	148.70	137.00	125.30	113.70	103.80	93.90	84.00	
\$1,160	\$1,200	203.30	191.70	180.00	168.30	156.70	145.00	133.30	121.70	110.60	100.70	90.80	
\$1,200	\$1,240	211.30	199.70	188.00	176.30	164.70	153.00	141.30	129.70	118.00	107.50	97.60	
\$1,240	\$1,280	219.30	207.70	196.00	184.30	172.70	161.00	149.30	137.70	126.00	114.30	104.40	
\$1,280	\$1,320	227.30	215.70	204.00	192.30	180.70	169.00	157.30	145.70	134.00	122.30	111.20	
\$1,320	\$1,360	235.30	223.70	212.00	200.30	188.70	177.00	165.30	153.70	142.00	130.30	118.70	
\$1,360	\$1,400	243.30	231.70	220.00	208.30	196.70	185.00	173.30	161.70	150.00	138.30	126.70	
\$1,400	\$1,440	251.30	239.70	228.00	216.30	204.70	193.00	181.30	169.70	158.00	146.30	134.70	
\$1,440	\$1,480	259.30	247.70	236.00	224.30	212.70	201.00	189.30	177.70	166.00	154.30	142.70	
\$1,480	\$1,520	268.60	255.70	244.00	232.30	220.70	209.00	197.30	185.70	174.00	162.30	150.70	
\$1,520	\$1,560	278.60	264.00	252.00	240.30	228.70	217.00	205.30	193.70	182.00	170.30	158.70	
\$1,560	\$1,600	288.60	274.00	260.00	248.30	236.70	225.00	213.30	201.70	190.00	178.30	166.70	
\$1,600	\$1,640	298.60	284.00	269.40	256.30	244.70	233.00	221.30	209.70	198.00	186.30	174.70	
\$1,640	\$1,680	308.60	294.00	279.40	264.80	252.70	241.00	229.30	217.70	206.00	194.30	182.70	
\$1,680	\$1,720	318.60	304.00	289.40	274.80	260.70	249.00	237.30	225.70	214.00	202.30	190.70	
\$1,720	\$1,760	328.60	314.00	299.40	284.80	270.30	257.00	245.30	233.70	222.00	210.30	198.70	
\$1,760	\$1,800	338.60	324.00	309.40	294.80	280.30	265.70	253.30	241.70	230.00	218.30	206.70	
\$1,800	\$1,840	348.60	334.00	319.40	304.80	290.30	275.70	263.30	251.70	239.00	227.30	215.70	
\$1,840	\$1,880	359.90	344.00	329.40	314.80	300.30	285.70	273.30	261.70	249.00	237.30	225.70	
\$1,880	\$1,920	371.90	354.40	339.40	324.80	310.30	295.70	283.30	271.70	259.00	247.30	235.70	
\$1,920	\$1,960	383.90	366.40	349.40	334.80	320.30	305.70	293.30	281.70	269.00	257.30	245.70	
\$1,960	\$2,000	395.90	378.40	360.90	344.80	330.30	315.70	303.10	286.50	271.90	258.30	246.70	
\$2,000	\$2,040	407.90	390.40	372.90	355.40	340.30	325.70	311.10	296.50	281.90	267.30	254.70	
\$2,040	\$2,080	419.90	402.40	384.90	367.40	350.30	335.70	321.10	306.50	291.90	277.30	262.80	
\$2,080	\$2,120	431.90	414.40	396.90	379.40	361.90	345.70	331.10	316.50	301.90	287.30	272.80	
\$2,120	\$2,160	443.90	426.40	408.90	391.40	373.90	356.40	341.10	326.50	311.90	297.30	282.80	
\$2,160	\$2,200	455.90	438.40	420.90	403.40	385.90	368.40	351.10	336.50	321.90	307.30	292.80	
\$2,200	\$2,240	467.90	450.40	432.90	415.40	397.90	380.40	362.90	346.50	331.90	317.30	302.80	
\$2,240	\$2,280	479.90	462.40	444.90	427.40	409.90	392.40	374.90	357.40	341.90	327.30	312.80	
\$2,280	\$2,320	491.90	474.40	456.90	439.40	421.90	404.40	386.90	369.40	353.90	337.30	322.80	
\$2,320	\$2,360	503.90	486.40	468.90	451.40	433.90	416.40	398.90	381.40	363.90	347.30	332.80	
\$2,360	\$2,400	515.90	498.40	480.90	463.40	445.90	428.40	410.90	393.40	375.90	358.40	342.80	
\$2,400	\$2,440	527.90	510.40	492.90	475.40	457.90	440.40	422.90	405.40	387.90	370.40	352.90	
30 percent of the excess over \$2,440 plus—													
\$2,440 and over		533.90	516.40	498.90	481.40	463.90	446.40	428.90	411.40	393.90	376.40	358.90	

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0	\$0.75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75	\$1.00	.05	0	0	0	0	0	0	0	0	0	0
\$1.00	\$1.25	.10	0	0	0	0	0	0	0	0	0	0
\$1.25	\$1.50	.10	0	0	0	0	0	0	0	0	0	0
\$1.50	\$1.75	.15	0	0	0	0	0	0	0	0	0	0
\$1.75	\$2.00	.20	0	0	0	0	0	0	0	0	0	0
\$2.00	\$2.25	.20	0	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.25	0	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.30	0	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.50	.20	0	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.55	.25	0	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.60	.25	0	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75	\$5.00	.65	.35	.05	0	0	0	0	0	0	0	0
\$5.00	\$5.25	.70	.40	.10	0	0	0	0	0	0	0	0
\$5.25	\$5.50	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.50	\$5.75	.80	.45	.15	0	0	0	0	0	0	0	0
\$5.75	\$6.00	.85	.50	.20	0	0	0	0	0	0	0	0
\$6.00	\$6.25	.90	.55	.25	0	0	0	0	0	0	0	0
\$6.25	\$6.50	.90	.60	.30	0	0	0	0	0	0	0	0
\$6.50	\$6.75	.95	.65	.30	.05	0	0	0	0	0	0	0
\$6.75	\$7.00	1.00	.70	.35	.10	0	0	0	0	0	0	0
\$7.00	\$7.25	1.05	.70	.40	.10	0	0	0	0	0	0	0
\$7.25	\$7.50	1.10	.75	.45	.15	0	0	0	0	0	0	0
\$7.50	\$7.75	1.15	.80	.50	.20	0	0	0	0	0	0	0
\$7.75	\$8.00	1.20	.85	.55	.20	0	0	0	0	0	0	0
\$8.00	\$8.25	1.20	.90	.55	.25	0	0	0	0	0	0	0
\$8.25	\$8.50	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$8.50	\$8.75	1.30	1.00	.65	.35	.05	0	0	0	0	0	0
\$8.75	\$9.00	1.35	1.00	.70	.35	.10	0	0	0	0	0	0
\$9.00	\$9.25	1.40	1.05	.75	.40	.15	0	0	0	0	0	0
\$9.25	\$9.50	1.45	1.10	.80	.45	.15	0	0	0	0	0	0
\$9.50	\$9.75	1.45	1.15	.80	.50	.20	0	0	0	0	0	0
\$9.75	\$10.00	1.50	1.20	.85	.55	.25	0	0	0	0	0	0
\$10.00	\$10.50	1.60	1.25	.95	.60	.30	0	0	0	0	0	0
\$10.50	\$11.00	1.65	1.35	1.00	.70	.35	.10	0	0	0	0	0
\$11.00	\$11.50	1.75	1.40	1.10	.75	.45	.15	0	0	0	0	0
\$11.50	\$12.00	1.85	1.50	1.20	.85	.55	.25	0	0	0	0	0
\$12.00	\$12.50	1.95	1.60	1.25	.95	.60	.30	.05	0	0	0	0
\$12.50	\$13.00	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0	0
\$13.00	\$13.50	2.15	1.75	1.45	1.10	.80	.45	.15	0	0	0	0
\$13.50	\$14.00	2.25	1.85	1.50	1.20	.85	.55	.25	0	0	0	0
\$14.00	\$14.50	2.35	1.95	1.60	1.30	.95	.65	.30	.05	0	0	0
\$14.50	\$15.00	2.45	2.05	1.70	1.35	1.05	.70	.40	.10	0	0	0
\$15.00	\$15.50	2.55	2.15	1.80	1.45	1.15	.80	.45	.20	0	0	0
\$15.50	\$16.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25	0	0	0
\$16.00	\$16.50	2.75	2.35	1.95	1.60	1.30	.95	.65	.35	.05	0	0
\$16.50	\$17.00	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40	.10	0	0
\$17.00	\$17.50	2.95	2.55	2.15	1.80	1.45	1.15	.80	.50	.20	0	0
\$17.50	\$18.00	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55	.25	0	0
\$18.00	\$18.50	3.15	2.75	2.35	2.00	1.65	1.30	1.00	.65	.35	.05	0
\$18.50	\$19.00	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75	.40	.15	0
\$19.00	\$19.50	3.35	2.95	2.55	2.20	1.80	1.50	1.15	.85	.50	.20	0
\$19.50	\$20.00	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90	.60	.30	0
\$20.00	\$21.00	3.60	3.20	2.80	2.45	2.05	1.70	1.35	1.05	.70	.40	.10
\$21.00	\$22.00	3.80	3.40	3.00	2.65	2.25	1.85	1.55	1.20	.90	.55	.25
\$22.00	\$23.00	4.00	3.60	3.20	2.85	2.45	2.05	1.70	1.40	1.05	.75	.40
\$23.00	\$24.00	4.20	3.80	3.40	3.05	2.65	2.25	1.90	1.55	1.25	.90	.55
\$24.00	\$25.00	4.40	4.00	3.60	3.25	2.85	2.45	2.10	1.70	1.40	1.05	.75
\$25.00	\$26.00	4.65	4.20	3.80	3.45	3.05	2.65	2.30	1.90	1.55	1.25	.90
\$26.00	\$27.00	4.90	4.40	4.00	3.65	3.25	2.85	2.50	2.10	1.75	1.40	1.10
\$27.00	\$28.00	5.15	4.65	4.20	3.85	3.45	3.05	2.70	2.30	1.90	1.60	1.25
\$28.00	\$29.00	5.40	4.90	4.45	4.05	3.65	3.25	2.90	2.50	2.10	1.75	1.40
\$29.00	\$30.00	5.65	5.15	4.70	4.25	3.85	3.45	3.10	2.70	2.30	1.90	1.60
\$30.00	\$31.00	5.90	5.40	4.95	4.45	4.05	3.65	3.30	2.90	2.50	2.10	1.75
\$31.00	\$32.00	6.20	5.65	5.20	4.70	4.25	3.85	3.50	3.10	2.70	2.30	1.95
\$32.00	\$33.00	6.50	5.95	5.45	4.95	4.50	4.05	3.70	3.30	2.90	2.50	2.15
\$33.00	\$34.00	6.80	6.25	5.70	5.20	4.75	4.25	3.90	3.50	3.10	2.70	2.35
\$34.00	\$35.00	7.10	6.55	5.95	5.45	5.00	4.50	4.10	3.70	3.30	2.90	2.55
\$35.00	\$36.00	7.40	6.85	6.25	5.70	5.25	4.75	4.30	3.90	3.50	3.10	2.75
\$36.00	\$37.00	7.70	7.15	6.55	6.00	5.50	5.00	4.50	4.10	3.70	3.30	2.95
\$37.00	\$38.00	8.00	7.45	6.85	6.30	5.75	5.25	4.75	4.30	3.90	3.50	3.15

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is not married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$38.00	\$39.00	\$8.30	\$7.75	\$7.15	\$6.60	\$6.00	\$5.50	\$5.00	\$4.55	\$4.10	\$3.70	\$3.35
\$39.00	\$40.00	8.60	8.05	7.45	6.90	6.30	5.75	5.25	4.80	4.30	3.90	3.55
\$40.00	\$41.00	8.90	8.35	7.75	7.20	6.60	6.05	5.50	5.05	4.55	4.10	3.75
\$41.00	\$42.00	9.20	8.65	8.05	7.50	6.90	6.35	5.75	5.30	4.80	4.35	3.95
\$42.00	\$43.00	9.50	8.95	8.35	7.80	7.20	6.65	6.05	5.55	5.05	4.60	4.15
\$43.00	\$44.00	9.80	9.25	8.65	8.10	7.50	6.95	6.35	5.80	5.30	4.85	4.35
\$44.00	\$45.00	10.10	9.55	8.95	8.40	7.80	7.25	6.65	6.10	5.55	5.10	4.60
\$45.00	\$46.00	10.40	9.85	9.25	8.70	8.10	7.55	6.95	6.40	5.80	5.35	4.85
\$46.00	\$47.00	10.70	10.15	9.55	9.00	8.40	7.85	7.25	6.70	6.10	5.60	5.10
\$47.00	\$48.00	11.00	10.45	9.85	9.30	8.70	8.15	7.55	7.00	6.40	5.85	5.35
\$48.00	\$49.00	11.30	10.75	10.15	9.60	9.00	8.45	7.85	7.30	6.70	6.15	5.60
\$49.00	\$50.00	11.60	11.05	10.45	9.90	9.30	8.75	8.15	7.60	7.00	6.45	5.85
		30 percent of the excess over \$50 plus—										
\$50 and over		11.75	11.20	10.60	10.05	9.45	8.90	8.30	7.75	7.15	6.60	6.05

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$0.	\$0.75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75	\$1.00	.05	0	0	0	0	0	0	0	0	0	0
\$1.00	\$1.25	.10	0	0	0	0	0	0	0	0	0	0
\$1.25	\$1.50	.10	0	0	0	0	0	0	0	0	0	0
\$1.50	\$1.75	.15	0	0	0	0	0	0	0	0	0	0
\$1.75	\$2.00	.20	0	0	0	0	0	0	0	0	0	0
\$2.00	\$2.25	.20	0	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.25	0	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.30	0	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.35	.05	0	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.35	.10	0	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.40	.15	0	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.45	.15	0	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.45	.20	0	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.50	.25	0	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.55	.25	0	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.60	.30	.05	0	0	0	0	0	0	0	0
\$4.75	\$5.00	.60	.35	.05	0	0	0	0	0	0	0	0
\$5.00	\$5.25	.65	.35	.10	0	0	0	0	0	0	0	0
\$5.25	\$5.50	.70	.40	.15	0	0	0	0	0	0	0	0
\$5.50	\$5.75	.75	.45	.15	0	0	0	0	0	0	0	0
\$5.75	\$6.00	.75	.50	.20	0	0	0	0	0	0	0	0
\$6.00	\$6.25	.80	.50	.25	0	0	0	0	0	0	0	0
\$6.25	\$6.50	.85	.55	.30	0	0	0	0	0	0	0	0
\$6.50	\$6.75	.90	.60	.30	.05	0	0	0	0	0	0	0
\$6.75	\$7.00	.90	.65	.35	.10	0	0	0	0	0	0	0
\$7.00	\$7.25	.95	.65	.40	.10	0	0	0	0	0	0	0
\$7.25	\$7.50	1.00	.70	.40	.15	0	0	0	0	0	0	0
\$7.50	\$7.75	1.05	.75	.45	.20	0	0	0	0	0	0	0
\$7.75	\$8.00	1.05	.80	.50	.20	0	0	0	0	0	0	0
\$8.00	\$8.25	1.10	.80	.55	.25	0	0	0	0	0	0	0
\$8.25	\$8.50	1.15	.85	.55	.30	0	0	0	0	0	0	0
\$8.50	\$8.75	1.20	.90	.60	.35	.05	0	0	0	0	0	0
\$8.75	\$9.00	1.20	.95	.65	.35	.10	0	0	0	0	0	0
\$9.00	\$9.25	1.25	.95	.70	.40	.15	0	0	0	0	0	0
\$9.25	\$9.50	1.30	1.00	.70	.45	.15	0	0	0	0	0	0
\$9.50	\$9.75	1.35	1.05	.75	.45	.20	0	0	0	0	0	0
\$9.75	\$10.00	1.35	1.10	.80	.50	.25	0	0	0	0	0	0
\$10.00	\$10.50	1.45	1.15	.85	.55	.30	0	0	0	0	0	0
\$10.50	\$11.00	1.50	1.20	.95	.65	.35	.10	0	0	0	0	0
\$11.00	\$11.50	1.60	1.30	1.00	.70	.45	.15	0	0	0	0	0
\$11.50	\$12.00	1.65	1.35	1.10	.80	.50	.25	0	0	0	0	0
\$12.00	\$12.50	1.75	1.45	1.15	.85	.60	.30	.05	0	0	0	0
\$12.50	\$13.00	1.80	1.50	1.25	.95	.65	.35	.10	0	0	0	0
\$13.00	\$13.50	1.90	1.60	1.30	1.00	.75	.45	.15	0	0	0	0
\$13.50	\$14.00	2.00	1.65	1.40	1.10	.80	.50	.25	0	0	0	0

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period and he is married—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such periods—										
\$14.00	\$14.50	\$2.05	\$1.75	\$1.45	\$1.15	\$0.90	\$0.60	\$0.30	\$0.05	\$0	\$0	\$0
\$14.50	\$15.00	2.15	1.85	1.55	1.25	.95	.65	.40	.10	0	0	0
\$15.00	\$15.50	2.25	1.90	1.60	1.30	1.05	.75	.45	.20	0	0	0
\$15.50	\$16.00	2.35	2.00	1.70	1.40	1.10	.80	.55	.25	0	0	0
\$16.00	\$16.50	2.40	2.10	1.75	1.45	1.20	.90	.60	.30	.05	0	0
\$16.50	\$17.00	2.50	2.15	1.85	1.55	1.25	.95	.70	.40	.10	0	0
\$17.00	\$17.50	2.60	2.25	1.95	1.60	1.35	1.05	.75	.45	.20	0	0
\$17.50	\$18.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55	.25	0	0
\$18.00	\$18.50	2.75	2.45	2.10	1.75	1.50	1.20	.90	.60	.35	.05	0
\$18.50	\$19.00	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70	.40	.15	0
\$19.00	\$19.50	2.90	2.60	2.25	1.95	1.65	1.35	1.05	.75	.50	.20	0
\$19.50	\$20.00	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85	.55	.25	0
\$20.00	\$21.00	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.65	.40	.10
\$21.00	\$22.00	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.80	.55	.25
\$22.00	\$23.00	3.45	3.15	2.80	2.50	2.15	1.85	1.55	1.25	.95	.70	.40
\$23.00	\$24.00	3.65	3.30	3.00	2.65	2.35	2.00	1.70	1.40	1.10	.85	.55
\$24.00	\$25.00	3.85	3.50	3.15	2.85	2.50	2.20	1.85	1.55	1.25	1.00	.70
\$25.00	\$26.00	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.40	1.15	.85
\$26.00	\$27.00	4.25	3.85	3.50	3.20	2.85	2.50	2.20	1.85	1.55	1.30	1.00
\$27.00	\$28.00	4.45	4.05	3.65	3.35	3.00	2.70	2.35	2.05	1.70	1.45	1.15
\$28.00	\$29.00	4.65	4.25	3.85	3.50	3.20	2.85	2.55	2.20	1.90	1.60	1.30
\$29.00	\$30.00	4.85	4.45	4.05	3.70	3.35	3.05	2.70	2.40	2.05	1.75	1.45
\$30.00	\$31.00	5.05	4.65	4.25	3.90	3.55	3.20	2.90	2.55	2.25	1.90	1.60
\$31.00	\$32.00	5.25	4.85	4.45	4.10	3.70	3.35	3.05	2.70	2.40	2.05	1.75
\$32.00	\$33.00	5.45	5.05	4.65	4.30	3.90	3.55	3.20	2.90	2.55	2.25	1.90
\$33.00	\$34.00	5.65	5.25	4.85	4.50	4.10	3.70	3.40	3.05	2.75	2.40	2.10
\$34.00	\$35.00	5.85	5.45	5.05	4.70	4.30	3.90	3.55	3.25	2.90	2.60	2.25
\$35.00	\$36.00	6.05	5.65	5.25	4.90	4.50	4.10	3.75	3.40	3.10	2.75	2.40
\$36.00	\$37.00	6.25	5.85	5.45	5.10	4.70	4.30	3.90	3.55	3.25	2.90	2.60
\$37.00	\$38.00	6.45	6.05	5.65	5.30	4.90	4.50	4.10	3.75	3.40	3.10	2.75
\$38.00	\$39.00	6.65	6.25	5.85	5.50	5.10	4.70	4.30	3.95	3.60	3.25	2.95
\$39.00	\$40.00	6.85	6.45	6.05	5.70	5.30	4.90	4.50	4.15	3.75	3.45	3.10
\$40.00	\$41.00	7.05	6.65	6.25	5.90	5.50	5.10	4.70	4.35	3.95	3.60	3.25
\$41.00	\$42.00	7.25	6.85	6.45	6.10	5.70	5.30	4.90	4.55	4.15	3.75	3.45
\$42.00	\$43.00	7.45	7.05	6.65	6.30	5.90	5.50	5.10	4.75	4.35	3.95	3.60
\$43.00	\$44.00	7.65	7.25	6.85	6.50	6.10	5.70	5.30	4.95	4.55	4.15	3.80
\$44.00	\$45.00	7.85	7.45	7.05	6.70	6.30	5.90	5.50	5.15	4.75	4.35	4.00
\$45.00	\$46.00	8.05	7.65	7.25	6.90	6.50	6.10	5.70	5.35	4.95	4.55	4.20
\$46.00	\$47.00	8.25	7.85	7.45	7.10	6.70	6.30	5.90	5.55	5.15	4.75	4.40
\$47.00	\$48.00	8.45	8.05	7.65	7.30	6.90	6.50	6.10	5.75	5.35	4.95	4.60
\$48.00	\$49.00	8.65	8.25	7.85	7.50	7.10	6.70	6.30	5.95	5.55	5.15	4.80
\$49.00	\$50.00	8.90	8.45	8.05	7.70	7.30	6.90	6.50	6.15	5.75	5.35	5.00
\$50.00	\$51.00	9.15	8.65	8.25	7.90	7.50	7.10	6.70	6.35	5.95	5.55	5.20
\$51.00	\$52.00	9.40	8.90	8.45	8.10	7.70	7.30	6.90	6.55	6.15	5.75	5.40
\$52.00	\$53.00	9.65	9.15	8.65	8.30	7.90	7.50	7.10	6.75	6.35	5.95	5.60
\$53.00	\$54.00	9.90	9.40	8.90	8.50	8.10	7.70	7.30	6.95	6.55	6.15	5.80
\$54.00	\$55.00	10.15	9.65	9.15	8.70	8.30	7.90	7.50	7.15	6.75	6.35	6.00
\$55.00	\$56.00	10.40	9.90	9.40	8.95	8.50	8.10	7.70	7.35	6.95	6.55	6.20
\$56.00	\$57.00	10.65	10.15	9.65	9.20	8.70	8.30	7.90	7.55	7.15	6.75	6.40
\$57.00	\$58.00	10.90	10.40	9.90	9.45	8.95	8.50	8.10	7.75	7.35	6.95	6.60
\$58.00	\$59.00	11.15	10.65	10.15	9.70	9.20	8.75	8.30	7.95	7.55	7.15	6.80
\$59.00	\$60.00	11.40	10.90	10.40	9.95	9.45	9.00	8.50	8.15	7.75	7.35	7.00
\$60.00	\$61.00	11.65	11.15	10.65	10.20	9.70	9.25	8.75	8.35	7.95	7.55	7.20
\$61.00	\$62.00	11.95	11.40	10.90	10.45	9.95	9.50	9.00	8.55	8.15	7.75	7.40
\$62.00	\$63.00	12.25	11.65	11.15	10.70	10.20	9.75	9.25	8.75	8.35	7.95	7.60
\$63.00	\$64.00	12.55	11.95	11.40	10.95	10.45	10.00	9.50	9.00	8.55	8.15	7.80
\$64.00	\$65.00	12.85	12.25	11.70	11.20	10.70	10.25	9.75	9.25	8.80	8.35	8.00
\$65.00	\$66.00	13.15	12.55	12.00	11.45	10.95	10.50	10.00	9.50	9.05	8.55	8.20
\$66.00	\$67.00	13.45	12.85	12.30	11.70	11.20	10.75	10.25	9.75	9.30	8.80	8.40
\$67.00	\$68.00	13.75	13.15	12.60	12.00	11.45	11.00	10.50	10.00	9.55	9.05	8.60
\$68.00	\$69.00	14.05	13.45	12.90	12.30	11.75	11.25	10.75	10.25	9.80	9.30	8.85
\$69.00	\$70.00	14.35	13.75	13.20	12.60	12.05	11.50	11.00	10.50	10.05	9.55	9.10
\$70.00	\$71.00	14.65	14.05	13.50	12.90	12.35	11.75	11.25	10.75	10.30	9.80	9.35
\$71.00	\$72.00	14.95	14.35	13.80	13.20	12.65	12.05	11.50	11.00	10.55	10.05	9.60
\$72.00	\$73.00	15.25	14.65	14.10	13.50	12.95	12.35	11.80	11.25	10.80	10.30	9.85
\$73.00	\$74.00	15.55	14.95	14.40	13.80	13.25	12.65	12.10	11.50	11.05	10.55	10.10
\$74.00	\$75.00	15.85	15.25	14.70	14.10	13.55	12.95	12.40	11.80	11.30	10.80	10.35
\$75.00	\$76.00	16.15	15.55	15.00	14.40	13.85	13.25	12.70	12.10	11.55	11.05	10.60
\$76.00	\$77.00	16.45	15.85	15.30	14.70	14.15	13.55	13.00	12.40	11.85	11.30	10.85
\$77.00	\$78.00	16.75	16.15	15.60	15.00	14.45	13.85	13.30	12.70	12.15	11.55	11.10
\$78.00	\$79.00	17.05	16.45	15.90	15.30	14.75	14.15	13.60	13.00	12.45	11.85	11.35
\$79.00	\$80.00	17.35	16.75	16.20	15.60	15.05	14.45	13.90	13.30	12.75	12.15	11.60
		30 percent of the excess over \$80 plus—										
\$80 and over		17.50	16.90	16.35	15.75	15.20	14.60	14.05	13.45	12.90	12.30	11.75"

68A Stat. 457.
26 USC 3402.

(d) DISCLOSURE OF MARITAL STATUS; DETERMINATION OF MARITAL STATUS; TREATMENT OF SURVIVING SPOUSE.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(1) DETERMINATION AND DISCLOSURE OF MARITAL STATUS.—

Ante, pp. 38, 42.

“(1) DETERMINATION OF STATUS BY EMPLOYER.—For purposes of applying the tables in subsections (a) and (c) to a payment of wages, the employer shall treat the employee as a single person unless there is in effect with respect to such payment of wages a withholding exemption certificate furnished to the employer by the employee after the date of the enactment of this subsection indicating that the employee is married.

“(2) DISCLOSURE OF STATUS BY EMPLOYEE.—An employee shall be entitled to furnish the employer with a withholding exemption certificate indicating he is married only if, on the day of such furnishing, he is married (determined with the application of the rules in paragraph (3)). An employee whose marital status changes from married to single shall, at such time as the Secretary or his delegate may by regulations prescribe, furnish the employer with a new withholding exemption certificate.

“(3) DETERMINATION OF MARITAL STATUS.—For purposes of paragraph (2), an employee shall on any day be considered—

“(A) as not married, if (i) he is legally separated from his spouse under a decree of divorce or separate maintenance, or (ii) either he or his spouse is, or on any preceding day within the calendar year was, a nonresident alien; or

“(B) as married, if (i) his spouse (other than a spouse referred to in subparagraph (A)) died within the portion of his taxable year which precedes such day, or (ii) his spouse died during one of the two taxable years immediately preceding the current taxable year and, on the basis of facts existing at the beginning of such day, the employee reasonably expects, at the close of his taxable year, to be a surviving spouse (as defined in section 2(b)).”

68A Stat. 8.
26 USC 2.

(e) WITHHOLDING ALLOWANCES FOR ITEMIZED DEDUCTIONS.—

(1) ALLOWANCE.—Section 3402(f)(1) (relating to withholding exemptions) is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”, and

(C) by adding at the end thereof the following new subparagraph:

“(F) any allowance to which he is entitled under subsection (m), but only if his spouse does not have in effect a withholding exemption certificate claiming such allowance.”

(2) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

“(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

“(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$700 the excess of—

“(A) his estimated itemized deductions, over

“(B) an amount equal to the sum of 10 percent of the first \$7,500 of his estimated wages and 17 percent of the remainder of his estimated wages.

For purposes of this subsection, fractional numbers shall not be taken into account.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) ESTIMATED ITEMIZED DEDUCTIONS.—The term ‘estimated itemized deductions’ means the aggregate amount which he reasonably expects will be allowable as deductions under chapter 1 (other than the deductions referred to in sections 141 and 151 and other than the deductions required to be taken into account in determining adjusted gross income under section 62) for the estimation year. In no case shall such aggregate amount be greater than (i) the amount of such deductions shown on his return of tax under subtitle A for the taxable year preceding the estimation year, or (ii) in the case of an employee who did not show such deductions on his return for such preceding taxable year, an amount equal to the lesser of \$1,000 or 10 percent of the wages shown on his return for such preceding taxable year.

68A Stat. 3.
26 USC 1-1388.
78 Stat. 23.

26 USC 1-1563.

“(B) ESTIMATED WAGES.—The term ‘estimated wages’ means the aggregate amount which he reasonably expects will constitute wages for the estimation year. In no case shall such aggregate amount be less than the amount of wages shown on his return for the taxable year preceding the estimation year.

“(C) ESTIMATION YEAR.—In the case of an employee who files his return on the basis of a calendar year, the term ‘estimation year’ means—

“(i) with respect to payments of wages after April 30 and on or before December 31 of any calendar year, such calendar year, and

“(ii) with respect to payments of wages on or after January 1 and before May 1 of any calendar year, the preceding calendar year (except that with respect to an exemption certificate furnished by an employee after he has filed his return for the preceding calendar year, such term means the current calendar year).

In the case of an employee who files his return on a basis other than the calendar year, his estimation year, and the amounts deducted and withheld to be governed by such estimation year, shall be determined under regulations prescribed by the Secretary or his delegate.

“(3) SPECIAL RULES.—

“(A) MARRIED INDIVIDUALS.—The number of withholding allowances to which a husband and wife are entitled under this subsection shall be determined on the basis of their combined wages and deductions. This subparagraph shall not apply to a husband and wife who filed separate returns for the taxable year preceding the estimation year and who reasonably expect to file separate returns for the estimation year.

“(B) ONLY ONE CERTIFICATE TO BE IN EFFECT.—In the case of any employee, withholding allowances under this subsection may not be claimed with more than one employer at any one time.

“(C) TERMINATION OF EFFECTIVENESS.—In the case of an employee who files his return on the basis of a calendar year, that portion of a withholding exemption certificate which relates to allowances under this subsection shall not be effective with respect to payments of wages after the first April 30 following the close of the estimation year on which it is based.

“(D) **LIMITATION.**—In the case of employees whose estimated wages are at levels at which the amounts deducted and withheld under this chapter generally are insufficient (taking into account a reasonable allowance for deductions and exemptions) to offset the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, the Secretary or his delegate may by regulation reduce the withholding allowances to which such employees would, but for this subparagraph, be entitled under this subsection.

“(E) **TREATMENT OF ALLOWANCES.**—For purposes of this title, any withholding allowance under this subsection shall be treated as if it were denominated a withholding exemption.

“(4) **AUTHORITY TO PRESCRIBE TABLES.**—The Secretary or his delegate may prescribe tables pursuant to which employees shall determine the number of withholding allowances to which they are entitled under this subsection (in lieu of making such determination under paragraphs (1) and (3)). Such tables shall be consistent with the provisions of paragraphs (1) and (3), except that such tables—

“(A) shall provide for entitlement to withholding allowances based on reasonable wage and itemized deduction brackets, and

“(B) may increase or decrease the number of withholding allowances to which employees in the various wage and itemized deduction brackets would, but for this subparagraph, be entitled to the end that, to the extent practicable, amounts deducted and withheld under this chapter (i) generally do not exceed the liability for tax under chapter 1 with respect to the wages from which such amounts are deducted and withheld, and (ii) generally are sufficient to offset such liability for tax.”

(3) **STATUS DETERMINATION DATE.**—The last sentence of section 3402(f) (3) (B) is amended to read as follows: “For purposes of this subparagraph, the term ‘status determination date’ means January 1, May 1, July 1, and October 1 of each year.”

(4) **CIVIL PENALTY.**—

(A) Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

“SEC. 6682. **FALSE INFORMATION WITH RESPECT TO WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.**

“(a) **CIVIL PENALTY.**—In addition to any criminal penalty provided by law, if any individual in claiming a withholding allowance under section 3402(f) (1) (F) states (1) as the amount of the wages (within the meaning of chapter 24) shown on his return for any taxable year an amount less than such wages actually shown, or (2) as the amount of the itemized deductions referred to in section 3402(m) shown on the return for any taxable year an amount greater than such deductions actually shown, he shall pay a penalty of \$50 for such statement, unless (1) such statement did not result in a decrease in the amounts deducted and withheld under chapter 24, or (2) the taxes imposed with respect to the individual under subtitle A for the succeeding taxable year do not exceed the sum of (A) the credits against such taxes allowed by part IV of subchapter A of chapter 1, and (B) the payments of estimated tax which are considered payments on account of such taxes.

“(b) **DEFICIENCY PROCEDURES NOT TO APPLY.**—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, and

68A Stat. 455.
26 USC 3401-3404.
26 USC 1-1388.

26 USC 6671-
6681.

Ante, p. 59.

26 USC 1-1563.

26 USC 31-48.

26 USC 6211-
6216.

gift taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a)."

(B) The table of sections of such subchapter B is amended by adding at the end thereof the following:

"Sec. 6682. False information with respect to withholding allowances based on itemized deductions."

(5) CRIMINAL PENALTY.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended— 68A Stat. 852.
26 USC 7205

(A) by striking out "section 3402(f)" and inserting in lieu thereof "section 3402", and

(B) by striking out "any penalty otherwise provided" and inserting in lieu thereof "any other penalty provided by law (except the penalty provided by section 6682)". Ante, p. 61.

(6) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) of this subsection shall apply only with respect to remuneration paid after December 31, 1966, but only with respect to withholding exemptions based on estimation years beginning after such date.

(f) TRANSITIONAL DETERMINATION STATUS DATE.—Notwithstanding section 3402(f)(3)(B) of the Internal Revenue Code of 1954, a withholding exemption certificate furnished the employer after the date of the enactment of this Act and before May 1, 1966, shall take effect with respect to the first payment of wages made on or after May 1, 1966, or the 10th day after the date on which such certificate is furnished to the employer, whichever is later, and at the election of the employer such certificate may be made effective with respect to any payment of wages made on or after the date on which such certificate is furnished. Ante, p. 61.

(g) EFFECTIVE DATE.—The amendments made by this section (other than subsection (e)) shall apply only with respect to remuneration paid after April 30, 1966.

SEC. 102. ESTIMATED TAX IN CASE OF INDIVIDUALS.

(a) INCLUSION OF SELF-EMPLOYMENT TAX IN ESTIMATED TAX.—Section 6015(c) (relating to definition of estimated tax in the case of an individual) is amended to read as follows: 26 USC 6015.

"(c) ESTIMATED TAX.—For purposes of this title, in the case of an individual, the term 'estimated tax' means—

"(1) the amount which the individual estimates as the amount of the income tax imposed by chapter 1 for the taxable year, plus 26 USC 1-1388.

"(2) the amount which the individual estimates as the amount of the self-employment tax imposed by chapter 2 for the taxable year, minus 26 USC 1401-1403.

"(3) the amount which the individual estimates as the sum of any credits against tax provided by part IV of subchapter A of chapter 1." 26 USC 31-48.

(b) ADDITION TO TAX FOR UNDERPAYMENT OF ESTIMATED TAX.—

(1) Section 6654(a) (relating to addition to the tax for underpayment of estimated tax by an individual) is amended by inserting after "chapter 1" the following: "and the tax under chapter 2". 26 USC 6654.

(2) Section 6654(d) is amended to read as follows:

"(d) EXCEPTION.—Notwithstanding the provisions of the preceding subsections, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all pay-

80 STAT. 63

ments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

“(1) The tax shown on the return of the individual for the preceding taxable year, if a return showing a liability for tax was filed by the individual for the preceding taxable year and such preceding year was a taxable year of 12 months.

“(2) An amount equal to 70 percent (66 $\frac{2}{3}$ percent in the case of individuals referred to in section 6073(b), relating to income from farming or fishing) of the tax for the taxable year computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid and by taking into account the adjusted self-employment income (if the net earnings from self-employment (as defined in section 1402(a)) for the taxable year equal or exceed \$400). For purposes of this paragraph—

“(A) The taxable income shall be placed on an annualized basis by—

“(i) multiplying by 12 (or, in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income (computed without deduction of personal exemptions) for the months in the taxable year ending before the month in which the installment is required to be paid,

“(ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, and

“(iii) deducting from such amount the deductions for personal exemptions allowable for the taxable year (such personal exemptions being determined as of the last date prescribed for payment of the installment).

“(B) The term ‘adjusted self-employment income’ means—

“(i) the net earnings from self-employment (as defined in section 1402(a)) for the months in the taxable year ending before the month in which the installment is required to be paid, but not more than

“(ii) the excess of \$6,600 over the amount determined by placing the wages (within the meaning of section 1402(b)) for the months in the taxable year ending before the month in which the installment is required to be paid on an annualized basis in a manner consistent with clauses (i) and (ii) of subparagraph (A).

“(3) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income and the actual self-employment income for the months in the taxable year ending before the month in which the installment is required to be paid as if such months constituted the taxable year.

“(4) An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer’s status with respect to personal exemptions under section 151 for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to, the preceding taxable year.”

68A stat. 750;

76 Stat. 575.

26 USC 6073.

26 USC 1402.

26 USC 151.

80 STAT. 64

(3) Section 6654(f) (relating to definition of tax for purposes of subsections (b) and (d) of section 6654) is amended to read as follows:

68A Stat. 823.

26 USC 6654.

Ante, p. 62.

“(f) **TAX COMPUTED AFTER APPLICATION OF CREDITS AGAINST TAX.**—For purposes of subsections (b) and (d), the term ‘tax’ means—

“(1) the tax imposed by this chapter 1, plus

26 USC 1-1388.

“(2) the tax imposed by chapter 2, minus

26 USC 1401-

“(3) the credits against tax allowed by part IV of subchapter A of chapter 1, other than the credit against tax provided by section 31 (relating to tax withheld on wages).”

1403.

26 USC 31-48.

(4) Section 6211(b) (1) (relating to definition of a deficiency) is amended by striking out “chapter 1” and inserting in lieu thereof “subtitle A”.

26 USC 6211.

(5) Section 7701(a) (relating to definitions) is amended by adding at the end thereof the following new paragraph:

26 USC 7701.

“(34) **ESTIMATED INCOME TAX.**—The term ‘estimated income tax’ means—

“(A) in the case of an individual, the estimated tax as defined in section 6015(c), or

Ante, p. 62.

“(B) in the case of a corporation, the estimated tax as defined in section 6016(b).”

26 USC 6016.

(6) Section 1403(b) (cross references) is amended by adding at the end thereof the following new paragraph:

“(3) For provisions relating to declarations of estimated tax on self-employment income, see section 6015.”

(c) **MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.**—Section 1402(e) (3) (relating to effective date of waiver certificates) is amended by adding at the end thereof the following new subparagraph:

74 Stat. 926.

26 USC 1402.

“(E) For purposes of sections 6015 and 6654, a waiver certificate described in paragraph (1) shall be treated as taking effect on the first day of the first taxable year beginning after the date on which such certificate is filed.”

(d) **EFFECTIVE DATE.**—The amendments made by subsections (a), (b), and (c) shall apply with respect to taxable years beginning after December 31, 1966.

SEC. 103. UNDERPAYMENT OF INSTALLMENTS OF ESTIMATED INCOME TAX IN CASE OF INDIVIDUALS.

(a) **IN GENERAL.**—Section 6654(b) (relating to amount of underpayment), and section 6654(d) (relating to exception) as amended by section 102(b) (2) of this Act, are amended by striking out “70 percent” each place it appears and inserting in lieu thereof “80 percent”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

SEC. 104. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS.

(a) **IN GENERAL.**—Subsection (a) of section 6154 (relating to installment payments of estimated income tax by corporations) is amended to read as follows:

78 Stat. 25.

26 USC 6154.

“(a) **AMOUNT AND TIME FOR PAYMENT OF EACH INSTALLMENT.**—The amount of estimated tax (as defined in section 6016(b)) with respect to which a declaration is required under section 6016 shall be paid as follows:

“(1) **TAXABLE YEARS BEGINNING IN 1966.**—With respect to taxable years beginning after December 31, 1965, and before Jan-

uary 1, 1967, such estimated tax shall be paid in installments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—"	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	12	12	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		16	29	29
9th month of the taxable year (but after the 15th day of the 6th month).....			37	37
12th month of the taxable year (but after the 15th day of the 9th month).....				74

"(2) TAXABLE YEARS BEGINNING AFTER 1966.—With respect to taxable years beginning after December 31, 1966, such estimated tax shall be paid in installments in accordance with the following table:

"If the declaration is timely filed on or before the 15th day of the—"	The following percentages of the estimated tax shall be paid on the 15th day of the—			
	4th month	6th month	9th month	12th month
4th month of the taxable year.....	25	25	25	25
6th month of the taxable year (but after the 15th day of the 4th month).....		33½	33½	33½
9th month of the taxable year (but after the 15th day of the 6th month).....			50	50
12th month of the taxable year (but after the 15th day of the 9th month).....				100

"(3) TIMELY FILING.—A declaration is timely filed for the purposes of paragraphs (1) and (2) if it is not required by section 6074(a) to be filed on a date (determined without regard to any extension of time for filing the declaration under section 6081) before the date it is actually filed.

"(4) LATE FILING.—If the declaration is filed after the time prescribed in section 6074(a) (determined without regard to any extension of time for filing the declaration under section 6081), there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 6074(a), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1965.

TITLE II—POSTPONEMENT OF CERTAIN EXCISE TAX RATE REDUCTIONS

SEC. 201. PASSENGER AUTOMOBILES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Subparagraph (A) of section 4061(a) (2) (relating to imposition of tax) is amended to read as follows:

"(A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

"7 percent for the period beginning with the day after the date of the enactment of the Tax Adjustment Act of 1966 through March 31, 1968.

"2 percent for the period April 1, 1968, through December 31, 1968.

"1 percent for the period after December 31, 1968."

80 STAT. 66
79 Stat. 141.
26 USC 6412.

(b) CONFORMING AMENDMENT.—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out “January 1, 1966, 1967, 1968, or 1969,” and inserting in lieu thereof “January 1, 1966, April 1, 1968, or January 1, 1969.”

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after the date of the enactment of this Act.

SEC. 202. COMMUNICATION SERVICES.

(a) POSTPONEMENT OF RATE REDUCTIONS.—Section 4251 (relating to tax on communications) is amended—

79 Stat. 145.
26 USC 4251.

(1) By striking out subsection (a)(2) and inserting in lieu thereof:

“(2) The rate of tax referred to in paragraph (1) is as follows:

“Amounts paid pursuant to bills

first rendered—

Percent—

“Before April 1, 1968..... 10

“After March 31, 1968, and before January 1, 1969..... 1”

(2) By striking out subsection (c) and inserting in lieu thereof:

“(c) SPECIAL RULE.—For purposes of subsection (a), in the case of communications services rendered before February 1, 1968, for which a bill has not been rendered before April 1, 1968, a bill shall be treated as having been first rendered on March 31, 1968. For purposes of subsections (a) and (b), in the case of communications services rendered after January 31, 1968, and before November 1, 1968, for which a bill has not been rendered before January 1, 1969, a bill shall be treated as having been first rendered on December 31, 1968.”

(b) NONPROFIT HOSPITALS.—Section 4253 (relating to exemptions from tax on communications) is amended by adding at the end thereof the following new subsection:

“(h) NONPROFIT HOSPITALS.—No tax shall be imposed under section 4251 on any amount paid by a nonprofit hospital for services furnished to such organization. For purposes of this subsection, the term ‘nonprofit hospital’ means a hospital referred to in section 503(b)(5) which is exempt from income tax under section 501(a).”

26 USC 503.
26 USC 501.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to amounts paid pursuant to bills first rendered on or after April 1, 1966, for services rendered on or after such date. In the case of amounts paid pursuant to bills rendered on or after such date for services which were rendered before such date and for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date, the provisions of subchapter B of chapter 33 of the Code in effect at the time such services were rendered, subject to the provision of section 701(b)(2) of the Excise Tax Reduction Act of 1965, shall apply to the amounts paid for such services.

26 USC 4251-
4254.
79 Stat. 156.
26 USC 4251
note.

TITLE III—MISCELLANEOUS PROVISIONS

SEC. 301. DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

(a) DISALLOWANCE.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

26 USC 261-275.

“SEC. 276. CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES.

“(a) DISALLOWANCE OF DEDUCTION.—No deduction otherwise allowable under this chapter shall be allowed for any amount paid or incurred for—

"(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate,

"(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate, or

"(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

"(b) DEFINITIONS.—For purposes of this section—

"(1) POLITICAL PARTY.—The term 'political party' means—

"(A) a political party;

"(B) a National, State, or local committee of a political party; or

"(C) a committee, association, or organization, whether incorporated or not, which directly or indirectly accepts contributions (as defined in section 271(b)(2)) or make expenditures (as defined in section 271(b)(3)) for the purpose of influencing or attempting to influence the selection, nomination, or election of any individual to any Federal, State, or local elective public office, or the election of presidential and vice-presidential electors, whether or not such individual or electors are selected, nominated, or elected.

"(2) PROCEEDS INURING TO OR FOR THE USE OF POLITICAL CANDIDATES.—Proceeds shall be treated as inuring to or for the use of a political candidate only if—

"(A) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and

"(B) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office).

"(c) CROSS REFERENCE.—

"For disallowance of certain entertainment, etc., expenses, see section 274."

(b) CLERICAL AMENDMENT.—The table of sections for such part IX is amended by adding at the end thereof the following new item:

"Sec. 276. Certain indirect contributions to political parties."

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of this Act.

SEC. 302. BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS.

(a) MONTHLY BENEFITS.—Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

"Eligibility

"Sec. 228. (a) Every individual who—

"(1) has attained the age of 72,

"(2) (A) attained such age before 1968, or (B) has not less than 3 quarters of coverage, whenever acquired, for each calendar year elapsing after 1966 and before the year in which he attained such age,

"(3) is a resident of the United States (as defined in subsection (e)), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i)) continuously during the 5 years immediately preceding the month in which he files application under this section, and

74 Stat. 937.
42 USC 410.

"(4) has filed application for benefits under this section, shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"Benefit Amount

"(b) (1) Except as provided in paragraph (2), the benefit amount which an individual is entitled under this section for any month shall be \$35.

"(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be \$35 and the amount of the wife's benefit for such month shall be \$17.50.

"Reduction for Governmental Pension System Benefits

"(c) (1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.

"(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) \$17.50.

"(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

"(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) \$35, and

"(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) \$17.50.

"(4) For purposes of this subsection, in determining whether an individual is eligible for periodic benefits under a governmental pension system—

"(A) such individual shall be deemed to have filed application for such benefits,

"(B) to the extent that entitlement depends on an application by such individual's spouse, such spouse shall be deemed to have filed application, and

“(C) to the extent that entitlement depends on such individual or his spouse having retired, such individual and his spouse shall be deemed to have retired before the month for which the determination of eligibility is being made.

“(5) For purposes of this subsection, if any periodic benefit is payable on any basis other than a calendar month, the Secretary shall allocate the amount of such benefit to the appropriate calendar months.

“(6) If, under the foregoing provisions of this section, the amount payable for any month would be less than \$1, such amount shall be reduced to zero. In the case of a husband and wife both of whom are entitled to benefits under this section for the month, the preceding sentence shall be applied with respect to the aggregate amount so payable for such month.

“(7) If any benefit amount computed under the foregoing provisions of this section is not a multiple of \$0.10, it shall be raised to the next higher multiple of \$0.10.

“(8) Under regulations prescribed by the Secretary, benefit payments under this section to an individual (or aggregate benefit payments under this section in the case of a husband and wife) of less than \$5 may be accumulated until they equal or exceed \$5.

“Suspension for Months in Which Cash Payments Are Made Under Public Assistance

“(d) The benefit to which any individual is entitled under this section for any month shall not be paid for such month if—

“(1) such individual receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI, or

“(2) such individual's husband or wife receives such aid or assistance in such month, and under the State plan the needs of such individual were taken into account in determining eligibility for (or amount of) such aid or assistance,

unless the State agency administering or supervising the administration of such plan notifies the Secretary, at such time and in such manner as may be prescribed in accordance with regulations of the Secretary, that such payments to such individual (or such individual's husband or wife) under such plan are being terminated with the payment or payments made in such month.

“Suspension Where Individual Is Residing Outside the United States

“(e) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States. For purposes of this subsection, the term ‘United States’ means the 50 States and the District of Columbia.

“Treatment as Monthly Insurance Benefits

“(f) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.

“Annual Reimbursement of Federal Old-Age and Survivors Insurance Trust Fund

“(g) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the

42. USC 301, 601,
1201, 1351, 1381.

42 USC 402,
1395s.

Secretary of Health, Education, and Welfare deems necessary on account of—

“(1) payments made under this section during the second preceding fiscal year and all fiscal years prior thereto to individuals who, as of the beginning of the calendar year in which falls the month for which payment was made, had less than 3 quarters of coverage,

“(2) the additional administrative expenses resulting from the payments described in paragraph (1), and

“(3) any loss in interest to such Trust Fund resulting from such payments and expenses,

in order to place such Trust Fund in the same position at the end of such fiscal year as it would have been in if such payments had not been made.

“Definitions

“(h) For purposes of this section—

“(1) The term ‘quarter of coverage’ includes a quarter of coverage as defined in section 5(1) of the Railroad Retirement Act of 1937.

“(2) The term ‘governmental pension system’ means the insurance system established by this title or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (A) pensions, (B) retirement or retired pay, or (C) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen’s compensation law or any payment by the Veterans’ Administration as compensation for service-connected disability or death).

“(3) The term ‘periodic benefit’ includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

“(4) The determination of whether an individual is a husband or wife for any month shall be made under subsection (h) of section 216 without regard to subsections (b) and (f) of section 216.”

60 Stat. 733.
45 USC 228e.

71 Stat. 519.
42 USC 416.

Ante, p. 68.

79 Stat. 333.
42 USC 426
note.

(b) CERTAIN APPLICATIONS UNDER 1965 AMENDMENTS.—For purposes of paragraph (4) of section 228(a) of the Social Security Act (added by subsection (a) of this section), an application filed under section 103 of the Social Security Amendments of 1965 before July 1, 1966, shall be regarded as an application under such section 228 and shall, for purposes of such paragraph and of the last sentence of such section 228(a), be deemed to have been filed in July 1966, unless the person by whom or on whose behalf such application was filed notifies the Secretary that he does not want such application so regarded.

SEC. 303. TEMPORARY DUTY-FREE ENTRY FOR GIFTS FROM MEMBERS OF ARMED FORCES IN COMBAT ZONES.

77A Stat. 434.

(a) GIFTS COSTING \$50 OR LESS.—Subpart B of part 1 of the appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 915.20 the following new item:

" 915.25	Articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone (within the meaning of section 112(c) of the Internal Revenue Code of 1954) to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe, if such articles were purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the Secretary of Defense.....	Free (see head-note 2 of this sub-part)	Free (see head-note 2 of this sub-part)	On or before 12/31/67	"
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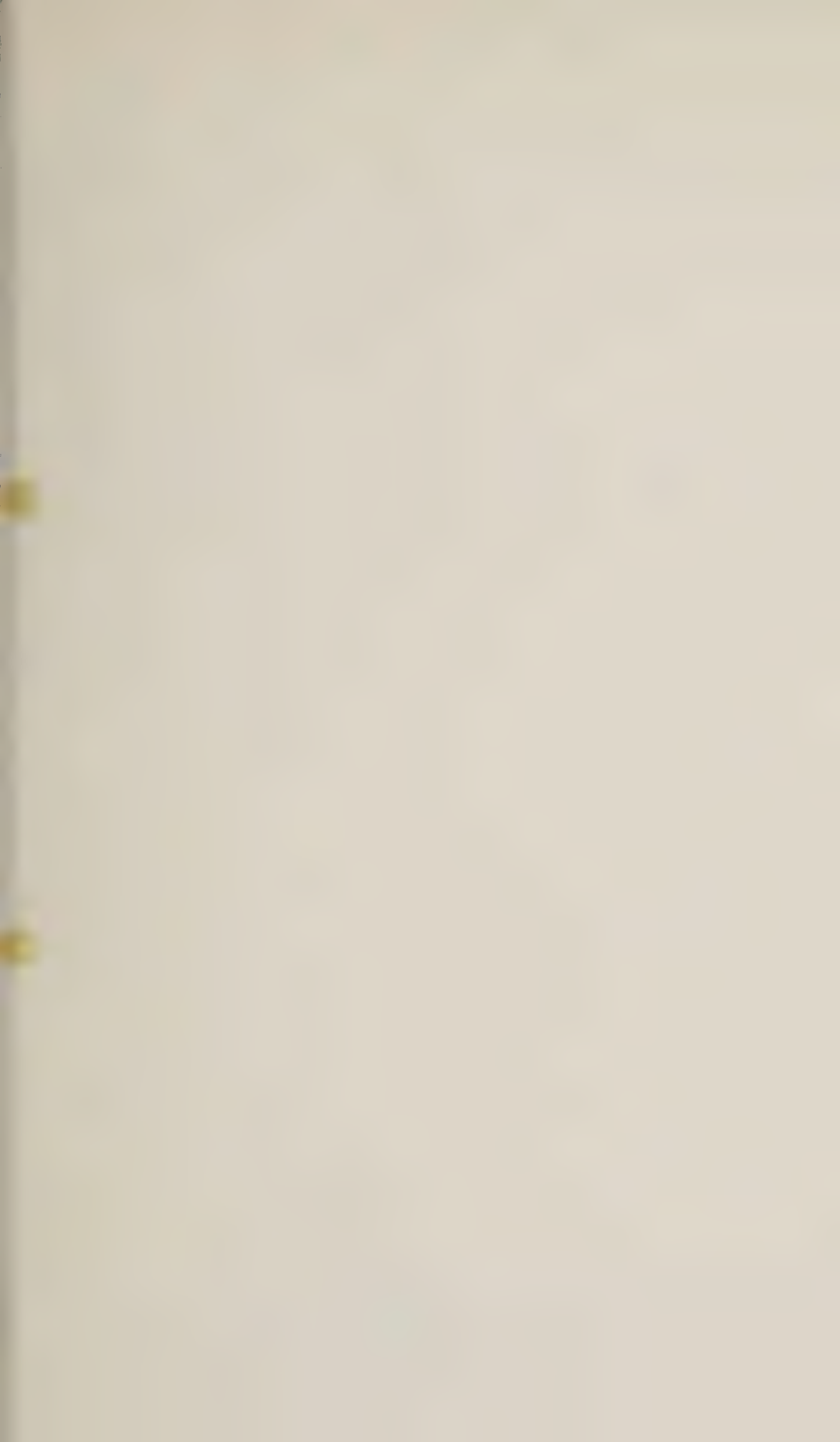
(b) CLERICAL AMENDMENT.—Headnote 2 for subpart B of part 1 of such appendix is amended by striking out "item 915.20" and inserting in lieu thereof "items 915.20 and 915.25".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the date of the enactment of this Act.

Approved March 15, 1966, 8:15 p. m.

LEGISLATIVE HISTORY:

- HOUSE REPORTS: No. 1285 (Comm. on Ways & Means) and No. 1323 (Comm. of Conference).
SENATE REPORT No. 1010 (Comm. on Finance).
CONGRESSIONAL RECORD, Vol.112 (1966):
Feb. 23: Considered and passed House.
Mar. 4,7, 8: Considered in Senate.
Mar. 9: Considered and passed Senate, amended.
Mar. 15: House and Senate agreed to conference report.





89TH CONGRESS
2^D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 1, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. PROUTY (for himself, Mr. FONG, Mr. JORDAN of Idaho, Mr. SCOTT, Mr. COTTON, Mr. COOPER, and Mr. SPARKMAN) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill, add the following:

1 TITLE III—AMENDMENTS TO SOCIAL SECURITY

2 ACT

3 SEC. 301. (a) (1) Section 202 of the Social Security

4 Act is amended by adding at the end thereof the following:

Amdt. No. 490

1 “Benefit Payments to Persons Not Otherwise Entitled Under
2 This Section

3 “(w) (1) Every individual who—

4 “(A) has attained age seventy,

5 “(B) is not and would not, upon filing application
6 therefor, be entitled to any monthly benefits under any
7 other subsection of this section for the month in which
8 he attains such age or, if later, the month in which he
9 files application under this subsection, and

10 “(C) has filed application for benefits under this
11 subsection,

12 shall be entitled to a benefit under this subsection for each
13 month, beginning with the first month after September 1966
14 in which he becomes so entitled to such benefits and ending
15 with the month preceding the month in which he dies. Sub-
16 ject to paragraph (2), such individual's benefit for each
17 month shall be equal to the first figure in column IV of the
18 table in section 215 (a).

19 “(2) The amount of the benefit to which an indi-
20 vidual is entitled under this subsection for any month shall
21 be equal to one-half of the amount provided under para-
22 graph (1) if—

23 “(A) such individual is a married woman, and

24 “(B) if the husband of such individual is entitled,
25 for such month, to benefits under this subsection.”

1 (2) The following provisions of section 202 of such
2 Act are each amended by striking out “or (h)” and insert-
3 ing in lieu thereof “(h), or (w)”:

4 (A) subsection (d) (6) (A),

5 (B) subsection (e) (3) (A),

6 (C) subsection (f) (4) (A),

7 (D) subsection (g) (3) (A), and

8 (E) the first sentence of subsection (j) (1).

9 (3) Section 202 (h) (4) (A) of such Act is amended
10 by striking out “or (g)” and inserting in lieu thereof “(g),
11 or (w)”.

12 (4) Section 202 (k) (2) (B) of such Act is amended
13 by striking out “preceding”.

14 Reimbursement of Trust Fund

15 (b) (1) With respect to every individual who becomes
16 entitled to a benefit under title II of the Social Security Act
17 by reason of the amendments made by subsection (a), the
18 Secretary of the Treasury shall transfer to the Federal
19 Old-Age and Survivors Insurance Trust Fund, from the
20 general fund of the Treasury, an amount equal to the sum
21 of—

22 (A) The total amount of employee and employer
23 taxes that would have been paid under the provisions
24 of sections 3101 and 3111 of the Internal Revenue
25 Code of 1954 (or the corresponding provisions of prior

1 law) if such individual had been paid wages (as de-
2 fined in section 209 of the Social Security Act) equal
3 to the first figure in column III of the table in section
4 215 (a) in each month of the period beginning with
5 January 1951 (or January of the year after the year
6 in which he attained age 31, if that is later) and ending
7 with December of the year in which he attained age
8 69 (or, if later, December 1962) ; and

9 (B) Interest, compounded at 3 percent per annum,
10 on the total amount determined under subparagraph
11 (A), for each year in the period referred to in such
12 subparagraph.

13 (2) The transfer of funds from the general fund of the
14 Treasury to the Federal Old-Age and Survivors Insurance
15 Trust Fund with respect to any individual pursuant to para-
16 graph (1) shall be made not later than the end of the calen-
17 dar quarter following the calendar quarter in which such in-
18 dividual becomes entitled to benefits under title II of the
19 Social Security Act by reason of the amendments made by
20 subsection (a).

21 Effective Date

22 (c) The amendments made by subsection (a) shall
23 apply only in the case of monthly benefits under title II of
24 the Social Security Act for months beginning after Septem-

1 ber 1966 based on applications filed on or after July 1, 1966,
2 or the date of enactment of this Act, whichever is the earlier.

3 SEC. 302. (a) Section 227 of the Social Security Act is
4 repealed as of the close of September 1966.

5 (b) Any individual, who (for the month of September
6 1966) is entitled to a monthly insurance benefit under sec-
7 tion 202 of the Social Security Act by reason of the pro-
8 visions of section 227 thereof, shall be deemed to have ap-
9 plied for benefits under section 202 (w) of such Act, and
10 all applications which are filed for monthly benefits under
11 section 202 of such Act by reason of the provisions of sec-
12 tion 227 and which are pending on the date of enactment
13 of this Act shall be deemed to be applications for benefits
14 under such section 202 (w).

AMENDMENT

Intended to be proposed by Mr. PROUTY (for himself, Mr. FONG, Mr. JORDAN of Idaho, Mr. SCOTT, Mr. COTTON, Mr. COOPER, and Mr. SPARKMAN) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 1, 1966

Ordered to lie on the table and to be printed

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 2, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. TOWER (for himself, Mr. KUCHEL, Mr. BIBLE, Mr. DOMINICK, Mr. FONG, Mr. MURPHY, Mr. PROUTY, Mr. RUSSELL of South Carolina, Mr. FANNIN, Mr. THURMOND, and Mr. COTTON) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill add the following new section:

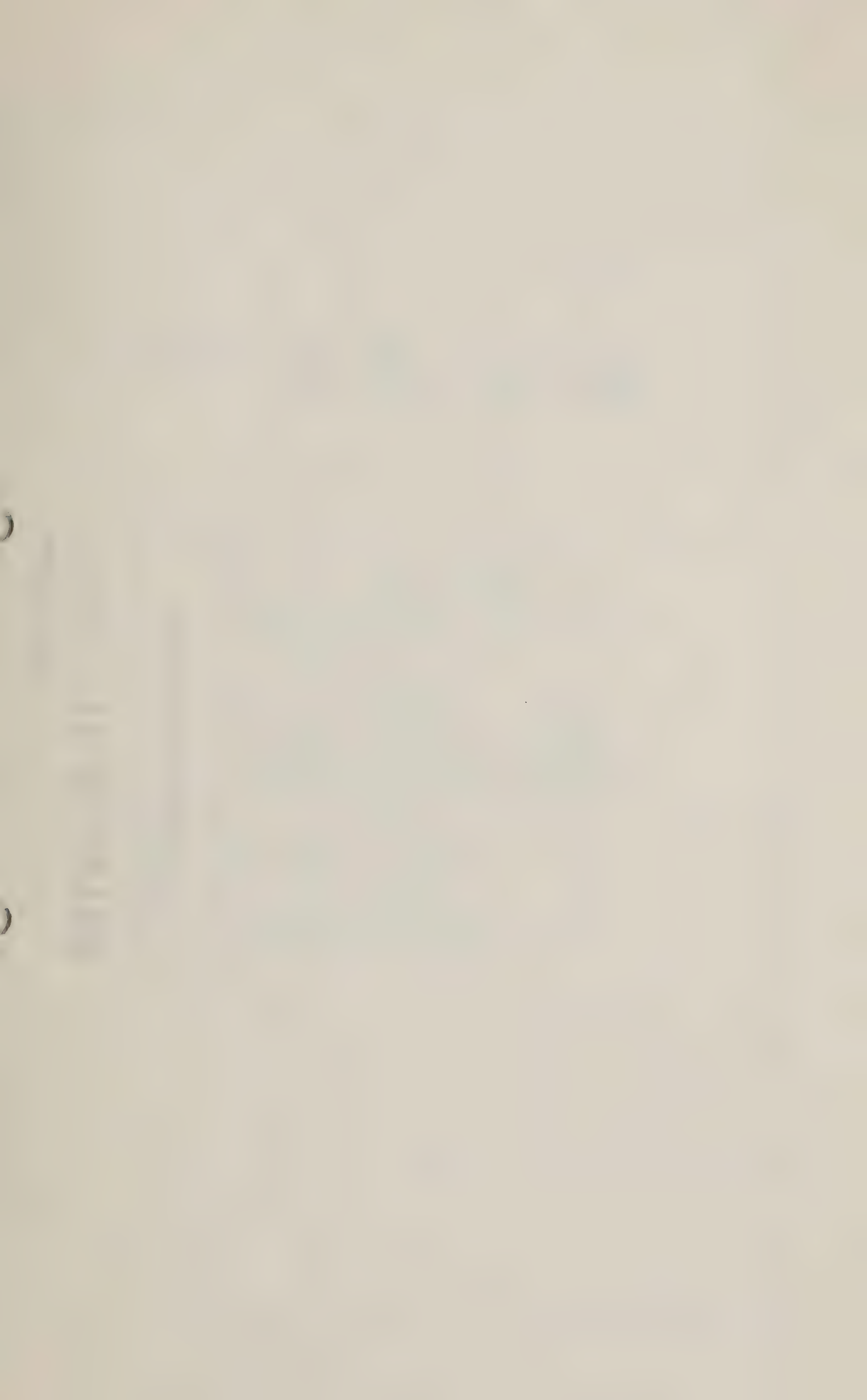
- 1 SEC. . (a) Subpart B of part 1 of the appendix to the
- 2 Tariff Schedules of the United States (19 U.S.C. 1202) is

1 amended by inserting after item 915.20 the following new
 2 item:

“	915.25	Articles constituting a bona fide gift from a member of the Armed Forces of the United States on duty outside the customs territory of the United States (to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe) if such articles were purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the major geographical commands of the Armed Forces of the United States.....	Free (see headnote 2 of this subpart)	Free (see headnote 2 of this subpart)	On or before 12/31/67	”.
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3 (b) Headnote 2 for subpart B of part 1 of such ap-
 4 pendix is amended by striking out “item 915.20” and insert-
 5 ing in lieu thereof “items 915.20 and 915.25”.

6 (c) The amendments made by this section shall apply
 7 with respect to articles entered, or withdrawn from ware-
 8 house, for consumption after the date of the enactment of this
 9 Act.



Amdt. No. 494

89TH CONGRESS
2D SESSION

H. R. 12752

AMENDMENT

Intended to be proposed by Mr. Tower (for himself, Mr. KUCHEL, Mr. BIBLE, Mr. DOMINICK, Mr. FONG, Mr. MURPHY, Mr. PROUTY, Mr. RUSSELL, of South Carolina, Mr. FANNIN, Mr. THURMOND, and Mr. COTTON) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 2, 1966

Ordered to lie on the table and to be printed

89TH CONGRESS
2^D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 2, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. PROUTY (for himself, Mr. FONG, Mr. JORDAN of Idaho, Mr. SCOTT, Mr. COTTON, Mr. COOPER, Mr. SPARKMAN, Mr. ALLOTT, Mr. MORSE, Mr. RANDOLPH, Mr. YOUNG of North Dakota, and Mr. GRUENING) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill, add the following:

- 1 SEC. . (a) (1) Section 202 of the Social Security
- 2 Act is amended by adding at the end thereof the following:

1 “Benefit Payments to Persons Not Otherwise Entitled Under
2 This Section

3 “(w) (1) Every individual who—

4 “(A) has attained age seventy, and

5 “(B) (i) is not and would not, upon filing appli-
6 cation therefor, be entitled to any monthly benefits under
7 any other subsection of this section for the month in
8 which he attains such age or, if later, the month in
9 which he files application under this subsection, or (ii)
10 is entitled to monthly benefits under any other sub-
11 section of this section for such month, if the amount of
12 such benefits (after application of subsection (q)) is
13 less than the amount of the benefits payable under this
14 subsection to individuals entitled to such benefits, and

15 “(C) is a resident of the United States (as defined
16 in section 210 (i) of the Social Security Act), and is
17 (i) a citizen of the United States or (ii) an alien law-
18 fully admitted for permanent residence who has resided
19 in the United States (as so defined) continuously dur-
20 ing the 5 years immediately preceding the month in
21 which he files application under this section, and

22 “(D) has filed application for benefits under this
23 subsection, shall be entitled to a benefit under this sub-
24 section for each month, beginning with the first month
25 after September 1966 in which he becomes so entitled

1 to such benefits and ending with the month preceding
2 the month in which he dies. Subject to paragraph (2),
3 such individual's benefit for each month shall be equal
4 to the first figure in column IV of the table in section
5 215 (a).

6 “(2) The amount of the benefit to which an individual
7 is entitled under this subsection for any month shall be equal
8 to one-half of the amount provided under paragraph (1)
9 if—

10 “(A) such individual is a married woman, and

11 “(B) if the husband of such individual is entitled,
12 for such month, to benefits under this subsection.”

13 (2) The following provisions of section 202 of such Act
14 are each amended by striking out “or (h)” and inserting in
15 lieu thereof “(h), or (w)”:

16 (A) subsection (d) (6) (A),

17 (B) subsection (e) (3) (A),

18 (C) subsection (f) (4) (A),

19 (D) subsection (g) (3) (A), and

20 (E) the first sentence of subsection (j) (1).

21 (3) Section 202 (h) (4) (A) of such Act is amended
22 by striking out “or (g)” and inserting in lieu thereof “(g),
23 or (w)”.

24 (4) Section 202 (k) (2) (B) of such Act is amended
25 by striking out “preceding”.

EFFECTIVE DATE

(b) The amendments made by subsection (a) shall apply only in the case of monthly benefits under title II of the Social Security Act for months beginning after September 1966 based on applications filed on or after July 1, 1966, or the date of enactment of this Act, whichever is the earlier.

(c) (1) Section 227 of the Social Security Act is repealed as of the close of September 1966.

(2) Any individual, who (for the month of September 1966) is entitled to a monthly insurance benefit under section 202 of the Social Security Act by reason of the provisions of section 227 thereof, shall be deemed to have applied for benefits under section 202 (w) of such Act, and all applications which are filed for monthly benefits under section 202 of such Act by reason of the provisions of section 227 and which are pending on the date of enactment of this Act shall be deemed to be applications for benefits under such section 202 (w).

REIMBURSEMENT OF TRUST FUNDS

(d) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, and to the Federal Hospital Insurance Trust Fund, respectively, from time to time such sums as the Secretary deems necessary for any fiscal year, on account of—

1 (1) so much of any payments made or to be made
2 during such fiscal year from such Fund with respect
3 to individuals whose entitlement thereto is attributable
4 to the provisions contained in section 202 (w) of the
5 Social Security Act,

6 (2) the additional administrative expenses result-
7 ing, or expected to result, to such Fund on account of
8 such payments, and

9 (3) any loss in interest to such Fund resulting
10 from the making of any such payments,

11 in order to place such Fund in the same position at the end
12 of such fiscal year as that in which it would have been if
13 the preceding subsections of this section had not been
14 enacted.

AMENDMENT

Intended to be proposed by Mr. PROUTY (for himself, Mr. FONG, Mr. JORDAN of Idaho, Mr. SCOTT, Mr. COTTON, Mr. COOPER, Mr. SPARKMAN, Mr. ALLOTT, Mr. MORSE, Mr. RANDOLPH, Mr. YOUNG of North Dakota, and Mr. GRUENING) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 2, 1966

Ordered to lie on the table and to be printed

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 4, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. RIBICOFF (for himself, Mr. DOMINICK, Mr. ALLOTT, Mr. BENNETT, Mr. BREWSTER, Mr. CANNON, Mr. CASE, Mr. DODD, Mr. FANNIN, Mr. FONG, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. JACKSON, Mr. JORDAN of Idaho, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCINTYRE, Mr. MORTON, Mr. MUNDT, Mr. MURPHY, Mr. PEARSON, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. SCOTT, Mr. SIMPSON, Mr. THURMOND, and Mr. TOWER) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill insert the following new section:

1 **SEC. . INCOME TAX CREDIT FOR CERTAIN EXPENSES**
 2 **INCURRED IN PROVIDING HIGHER EDUCATION.**

3 (a) **IN GENERAL.**—Subpart A of part IV of subchapter
 4 A of chapter 1 of the Internal Revenue Code of 1954
 5 (relating to credits allowable) is amended by renumbering
 6 section 39 as 40, and by inserting after section 38 the
 7 following new section:

8 **“SEC. 39. EXPENSES OF HIGHER EDUCATION.**

9 “(a) **GENERAL RULE.**—There shall be allowed to an
 10 individual, as a credit against the tax imposed by this chapter
 11 for the taxable year, an amount, determined under sub-
 12 section (b), of the expenses of higher education paid by
 13 him during the taxable year to one or more institutions of
 14 higher education in providing an education above the twelfth
 15 grade for himself or for any other individual.

16 “(b) **LIMITATIONS.**—

17 “(1) **AMOUNT PER INDIVIDUAL.**—The credit
 18 under subsection (a) for expenses of higher education
 19 of any individual paid during the taxable year shall be
 20 an amount equal to the sum of—

21 “(A) 75 percent of so much of such expenses
 22 as does not exceed \$200,

23 “(B) 25 percent of so much of such expenses as
 24 exceeds \$200 but does not exceed \$500, and

1 “(C) 10 percent of so much of such expenses as
2 exceeds \$500 but does not exceed \$1,500.

3 “(2) PRORATION OF CREDIT WHERE MORE THAN
4 ONE TAXPAYER PAYS EXPENSES.—If expenses of higher
5 education of an individual are paid by more than one
6 taxpayer during the taxable year, the credit allowable
7 to each such taxpayer under subsection (a) shall be
8 the same portion of the credit determined under para-
9 graph (1) which the amount of expenses of higher
10 education of such individual paid by the taxpayer during
11 the taxable year is of the total amount of expenses of
12 higher education of such individual paid by all taxpayers
13 during the taxable year.

14 “(3) REDUCTION OF CREDIT.—The credit under
15 subsection (a) for expenses of higher education of any
16 individual paid during the taxable year, as determined
17 under paragraphs (1) and (2) of this subsection, shall
18 be reduced by an amount equal to 1 percent of the
19 amount by which the adjusted gross income of the tax-
20 payer for the taxable year exceeds \$25,000.

21 “(c) DEFINITIONS.—For purposes of this section—

22 “(1) EXPENSES OF HIGHER EDUCATION.—The
23 term ‘expenses of higher education’ means—

1 “(A) tuition and fees required for the enroll-
2 ment or attendance of a student at a level above the
3 twelfth grade at an institution of higher education,
4 and

5 “(B) fees, books, supplies, and equipment re-
6 quired for courses of instruction above the twelfth
7 grade at an institution of higher education.

8 Such term does not include any amount paid, directly or
9 indirectly, for meals, lodging, or similar personal, living,
10 or family expenses. In the event an amount paid for
11 tuition or fees includes an amount for meals, lodging, or
12 similar expenses which is not separately stated, the por-
13 tion of such amount which is attributable to meals,
14 lodging, or similar expenses shall be determined under
15 regulations prescribed by the Secretary or his delegate.

16 “(2) INSTITUTION OF HIGHER EDUCATION.—The
17 term ‘institution of higher education’ means an educa-
18 tional institution (as defined in section 151 (e) (4)) —

19 “(A) which regularly offers education at a
20 level above the twelfth grade, and

21 “(B) contributions to or for the use of which
22 constitute charitable contributions within the mean-
23 ing of section 170 (c) .

24 “(d) SPECIAL RULES.—

25 “(1) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS

1 AND VETERANS' BENEFITS.—The amounts otherwise
2 taken into account under subsection (a) as expenses
3 of higher education of any individual during any period
4 shall be reduced (before the application of subsection
5 (b)) by any amounts received by such individual dur-
6 ing such period as—

7 “(A) a scholarship or fellowship grant (within
8 the meaning of section 117 (a) (1)) which under
9 section 117 is not includible in gross income, and

10 “(B) education and training allowance under
11 chapter 33 of title 38 of the United States Code or
12 educational assistance allowance under chapter 35
13 of such title.

14 “(2) NONCREDIT AND RECREATIONAL, ETC.,
15 COURSES.—Amounts paid for expenses of higher educa-
16 tion of any individual shall be taken into account under
17 subsection (a) —

18 “(A) in the case of an individual who is a
19 candidate for a baccalaureate or higher degree, only
20 to the extent such expenses are attributable to
21 courses of instruction for which credit is allowed
22 toward a baccalaureate or higher degree, and

23 “(B) in the case of an individual who is not
24 a candidate for a baccalaureate or higher degree,
25 only to the extent such expenses are attributable to

1 courses of instruction necessary to fulfill require-
2 ments for the attainment of a predetermined and
3 identified educational, professional, or vocational
4 objective.

5 “(3) APPLICATION WITH OTHER CREDITS.—The
6 credit allowed by subsection (a) to the taxpayer shall
7 not exceed the amount of the tax imposed on the tax-
8 payer for the taxable year by this chapter, reduced
9 by the sum of the credits allowable under this subpart
10 (other than under this section and section 31).

11 “(e) DISALLOWANCE OF EXPENSES AS DEDUCTION.—
12 No deduction shall be allowed under section 162 (relating
13 to trade or business expenses) for any expense of higher
14 education which (after the application of subsection (b))
15 is taken into account in determining the amount of any
16 credit allowed under subsection (a). The preceding sen-
17 tence shall not apply to the expenses of higher education of
18 any taxpayer who, under regulations prescribed by the
19 Secretary or his delegate, elects not to apply the provisions
20 of this section with respect to such expenses for the taxable
21 year.

22 “(f) REGULATIONS.—The Secretary or his delegate
23 shall prescribe such regulations as may be necessary to carry
24 out the provisions of this section.”

25 (b) The table of sections for such subpart A is amended

1 by striking out the last item and inserting in lieu thereof
2 the following:

“Sec. 39. Expenses of higher education.

“Sec. 40. Overpayments of tax.”

3 (b) **EFFECTIVE DATE.**—The amendments made by sub-
4 section (a) shall apply to taxable years beginning after
5 December 31, 1966.

AMENDMENT

Intended to be proposed by Mr. RIBICOFF (for himself, Mr. DOMINICK, Mr. ALLOT, Mr. BENNETT, Mr. BREWSTER, Mr. CANNON, Mr. CASE, Mr. DODD, Mr. FANNIN, Mr. FONG, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. JACKSON, Mr. JORDAN of Idaho, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCINTYRE, Mr. MORTON, Mr. MUNDT, Mr. MURPHY, Mr. PEARSON, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. SCOTT, Mr. SIMPSON, Mr. THURMOND, and Mr. TOWER) to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 4, 1966

Ordered to lie on the table and to be printed

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 7, 1966

Ordered to be printed

AMENDMENT

Proposed by Mr. GORE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: On page 49, beginning with line 1, strike out all through line 12 on page 53 (title II of the bill, relating to postponement of certain excise tax rate reductions) and in lieu thereof insert the following:

1 **TITLE II—TWO-YEAR SUSPENSION OF INVEST-**
2 **MENT CREDIT**

3 **SEC. 201. DENIAL OF INVESTMENT CREDIT FOR PROP-**
4 **ERTY PLACED IN SERVICE BETWEEN MARCH**
5 **1, 1966, AND FEBRUARY 28, 1968.**

6 (a) IN GENERAL.—Section 46 (c) (relating to defini-

tion of qualified investment) is amended by adding at the end thereof the following new paragraph:

“(5) TWO-YEAR SUSPENSION.—Notwithstanding any other provision of this subpart, the term ‘qualified investment’ shall not include any amount with respect to section 38 property placed in service during the period beginning March 1, 1966, and ending February 28, 1968, other than section 38 property placed in service during such period—

“(A) to the extent such property is attributable to construction, reconstruction, or erection by the taxpayer (i) before March 1, 1966, or (ii) on or after March 1, 1966, and on or before February 28, 1967, pursuant to the terms of a binding contract as in effect on February 28, 1966; or

“(B) which was acquired by the taxpayer (i) before March 1, 1966, or (ii) on or after March 1, 1966, and on or before February 28, 1967, pursuant to the terms of a binding contract as in effect on February 28, 1966.”

(b) APPLICATION OF UNUSED CREDIT CARRYBACKS AND CARRYOVERS.—Section 46(b)(2) (relating to limitation on allowance of credit for carryback and carryover of unused credit) is amended by adding at the end thereof the following new sentence: “For purposes of this paragraph,

1 the amount of the credit allowable under subsection (a) (1)
2 shall be determined as if subsection (c) (5) (relating to
3 2-year suspension) had not been enacted.”

4 (c) EFFECTIVE DATE.—The amendments made by
5 subsections (a) and (b) shall apply to taxable years ending
6 on or after March 1, 1966.

Amdt. No. 499

Calendar No. 985

89TH CONGRESS
2^D SESSION

H. R. 12752

AMENDMENT

Proposed by Mr. Gore to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

МАРЧ 7, 1936

Ordered to be printed

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 7, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. JAVITS to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill add the following new section:

1 SEC. . TAX CREDIT FOR EXPENSES OF EMPLOYEE
2 TRAINING PROGRAMS.

3 (a) DEFINITION OF QUALIFIED INVESTMENT.—Sec-
4 tion 46 (c) (1) (relating to qualified investment) is
5 amended—

6 (1) by striking out “plus” at the end of subpara-
7 graph (A) ;

Amdt. No. 500

1 (2) by striking out the period at the end of sub-
 2 paragraph (B) and inserting in lieu thereof “, plus”;
 3 and

4 (3) by adding after subparagraph (B) the follow-
 5 ing new subparagraph:

6 “ (C) the employee training program expenses
 7 (as defined in section 48 (h)) paid or incurred by
 8 the taxpayer during such taxable year.”

9 (b) DEFINITION OF EMPLOYEE TRAINING PROGRAM
 10 EXPENSES.—Section 48 (relating to definitions and special
 11 rules) is amended by redesignating subsection (h) as (i),
 12 and by inserting before such subsection the following new
 13 subsection:

14 “(h) EMPLOYEE TRAINING PROGRAM EXPENSES.—
 15 “(1) IN GENERAL.—For purposes of this subpart,
 16 the term ‘employee training program expense’ means
 17 only an expense which—

18 “(A) is allowable as a deduction under this
 19 chapter, and

20 “(B) is incurred by the taxpayer in providing
 21 one or more approved employee training programs
 22 in connection with his conduct of a trade or business.

23 Such term does not include any expense incurred by the
 24 taxpayer in the conduct of his trade or business without

1 regard to any approved employee training program
2 provided by him.

3 “(2) APPROVED EMPLOYEE TRAINING PRO-
4 GRAMS.—For purposes of paragraph (1), the term ‘ap-
5 proved employee training program’ means only a
6 program which—

7 “(A) is designed to afford training to em-
8 ployees or prospective employees of the taxpayer in
9 trade, business, industrial, or scientific skills which
10 have been determined by the Secretary of Labor to
11 be necessary—

12 “(i) for the national defense,

13 “(ii) to replace skills of the individuals
14 receiving training which have become obsolete
15 because of advances in trade, business, indus-
16 trial, or scientific procedures or techniques, or

17 “(iii) to replace skills of the individuals
18 receiving training which have become unneeded
19 because of changes in the national defense pro-
20 gram; and

21 “(B) has been approved by the Secretary of
22 Labor as fulfilling the standards, requirements, and
23 conditions prescribed by him for purposes of this
24 subsection (including requirements relating to the

1 employment or continued employment by the tax-
 2 payer of individuals receiving training).

3 The Secretary of Labor shall withdraw his approval of
 4 an employee training program previously approved by
 5 him if he determines that such program no longer
 6 fulfills the standards, requirements, and conditions pre-
 7 scribed by him for purposes of this subsection.”

8 (c) CLERICAL AMENDMENTS.—(1) The heading for
 9 section 38 is amended by inserting after “**PROPERTY**” the
 10 following: “**AND EMPLOYEE TRAINING PROGRAMS**”.

11 (2) The table of sections for subpart A of part IV
 12 of subchapter A of chapter 1 is amended by insert-
 13 ing after “property” in the item relating to section 38 the fol-
 14 lowing: “and employee training programs”.

15 (3) The heading for subpart B of part IV of
 16 subchapter A of chapter 1 is amended by inserting
 17 after “**Property**” the following: “**and Employee Training**
 18 **Programs**”.

19 (4) The table of subparts for part IV of sub-
 20 chapter A of chapter 1 is amended by inserting after
 21 “property” in the item relating to subpart B the following:
 22 “and employee training programs”.

23 (5) The heading for section 381 (c) (23) is amended
 24 by inserting after “property” the following: “**AND EM-**
 25 **PLOYEE PROGRAMS**”.

1 (d) EFFECTIVE DATE.—The amendments made by this
2 section shall apply to taxable years beginning after Decem-
3 ber 31, 1965. In applying section 46(b) of the Internal
4 Revenue Code of 1954, to the extent the excess described
5 in such section for any taxable year beginning after Decem-
6 ber 31, 1965, is attributable to employee training program
7 expenses, such excess shall be an investment credit carry-
8 back only to a taxable year beginning after such date.

AMENDMENT

Intended to be proposed by Mr. JAVITS to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 7, 1966

Ordered to lie on the table and to be printed

89TH CONGRESS
2^D SESSION

Calendar No. 985

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 8, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. TOWER to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz: At the end of the bill add the following new section:

- 1 SEC. . (a) Subpart B of part 1 of the appendix to the
2 Tariff Schedules of the United States (19 U.S.C. 1202) is

Amdt. No. 501

1 amended by inserting after item 915.20 the following new
 2 item:

“	915.25	Articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone (within the meaning of section 112(c) of the Internal Revenue Code of 1954) to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe if such articles were purchased in or through authorized agencies of the Armed Forces of the United States or in accordance with regulations prescribed by the Secretary of Defense	Free (see head-note 2 of this sub-part)	Free (see head-note 2 of this sub-part)	On or before 12/31/67	”.
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3 (b) Headnote 2 for subpart B of part 1 of such ap-
 4 pendix is amended by striking out “item 915.20” and insert-
 5 ing in lieu thereof “items 915.20 and 915.25”.

6 (c) The amendments made by this section shall apply
 7 with respect to articles entered, or withdrawn from ware-
 8 house, for consumption after the date of the enactment of this
 9 Act.

AMENDMENT

Intended to be proposed by Mr. Tower to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 8, 1966

Ordered to lie on the table and to be printed

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 8, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz:

- 1 On page 49, beginning with line 3, strike out all through
- 2 line 16 on page 51 (section 201 of the bill relating to pas-
- 3 senger automobiles).

Amdt. No. 502

Amdt. No. 502

Calendar No. 985

**89TH CONGRESS
2d Session**

H. R. 12752

AMENDMENT

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 8, 1966

Ordered to lie on the table and to be printed

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 8, 1966

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz:

- 1 On page 51, beginning with line 17, strike out all
- 2 through line 12 on page 53 (section 202 of the bill relating
- 3 to communication services).

Amdt. No. 503

Amdt. No. 503

Calendar No. 985

89TH CONGRESS
2D SESSION

H. R. 12752

AMENDMENT

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 8, 1966

Ordered to lie on the table and to be printed

Calendar No. 985

89TH CONGRESS
2^D SESSION

H. R. 12752

IN THE SENATE OF THE UNITED STATES

MARCH 8, 1966

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, viz:

1 On page 52, after line 12, insert the following new sub-
2 section:

3 “(b) LOCAL RESIDENTIAL TELEPHONE SERVICE.—
4 Section 4252 (relating to definitions for purposes of the tax
5 on communication services) is amended—

6 “(1) by striking out the last sentence of subsection
7 (a) and inserting in lieu thereof the following: “The

1 term 'local telephone service' does not include any
 2 service which is toll telephone service (as defined in
 3 subsection (b)), private communication service (as
 4 defined in subsection (d)), or local residential telephone
 5 service (as defined in subsection (e))."; and

6 " (2) by adding at the end thereof the following
 7 new subsection:

8 " '(e) LOCAL RESIDENTIAL TELEPHONE SERVICE.—

9 For purposes of this subchapter, the term "local residential
 10 telephone service" means the communication service fur-
 11 nished to a subscriber which provides access to a local tele-
 12 phone system, and the privilege of telephonic quality com-
 13 munication with persons having telephone or radio telephone
 14 stations constituting a part of such local telephone system,
 15 if the telephone station which is furnished to the subscriber
 16 is located in a personal residence of the subscriber and is
 17 not used principally in the conduct of any trade or busi-
 18 ness.' "

19 On page 52, line 13, strike out " (b) " and insert " (c) ".

20 On page 52, line 22, strike out " (c) " and insert " (d) ".

21 On page 52, lines 22 and 23, strike out "subsections (a)
 22 and (b) " and insert "this section".

89TH CONGRESS
2D SESSION

H. R. 12752

AMENDMENTS

Intended to be proposed by Mr. HARTKE to H.R. 12752, an Act to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes.

MARCH 8, 1966

Ordered to lie on the table and to be printed

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